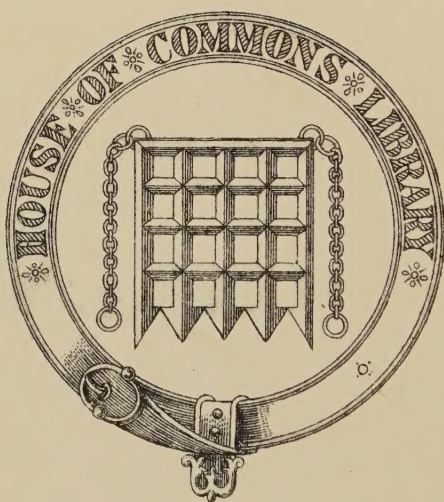


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SOME PROBLEMS OF WAGES AND THEIR REGULATION IN GREAT BRITAIN SINCE 1918

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BY

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PREFACE

THIS study aims at an historical presentation of some of the more important wage problems that have arisen since the War, with special reference to their interactions with the opinions of the several parties to wage negotiations, and to the principles which have been applied in each case. As both the form and the content of post-war wage problems have been intimately affected by the history of the War, a sketch of wage regulation during the War is included. The following episodes are examined in some detail: the Interim Court of Arbitration, the National Industrial Conference, the Washington Labour Conference, the Industrial Court, the Dockers' Court of Inquiry, the Trade Boards, Railway wage regulation, and the Mining Agreement of 1921.

In addition to questions of method, which include compulsory arbitration, the machinery of the Industrial Court and the Railway conciliation machinery, the following wage problems are also discussed: relation of wages to cost of living and cost-of-living sliding scales, limitation of hours, recognition of union organization, foreign competition, labour as a commodity, wages in a trade which finds employment in several independent industries, relation between wages in different industries and different grades, a "fair" wage, a "living" wage, the position of industries unable to pay a "living" wage, the influence of legal wage regulation on managerial efficiency, family endowment, the distribution of labour supply as a result of wage differentials and profit-sharing by industries.

INTRODUCTION

FEW historians have been able to avoid describing the period with which they are dealing as one of transition, and in this respect at least the post-war years resemble every other period of similar length in English history. For some time after the Armistice of 11 November, 1918, the extraordinary measures of Government control which had regulated wage movements in all the more important British industries were maintained with varying degrees of thoroughness. After a short period of fearful hesitation the country entered with enthusiasm into a trade boom in which the confidence of the business world, artificially stimulated by the monetary policy of the Government, soared to unusual heights; the boom was inevitably followed by a prolonged depression of unexampled suddenness and severity. But though the effects of the War are clearly operative throughout the period, and the Order in Council terminating the War was postponed until most people had forgotten that such a formality was necessary, the view that the post-War period began at the moment of the signature of the Armistice has in the consideration of problems of wage regulation at least the justification that that date marked a sharp change in the mental outlook of all the parties concerned in the wage contract. As late as April, 1920, it is true, the Industrial Court in granting increases of wages still used the phrase which had constantly appeared in wage awards during the War—"the amounts here granted are to be regarded as war advances, due to and dependent on the existence of the abnormal conditions prevailing in consequence of the War"¹—but in the atmosphere in which such remarks

¹ Awards Nos. 265, 266, 267. Smithfield Butchers and Northampton Brewers.

were uttered the points of contrast with war conditions were far more obvious than the points of similarity. The patriotic tension which demanded and gave a continually increasing output of military supplies was at once eased. There was no longer any obvious reason for delaying far-reaching demands for industrial reconstruction. The time had apparently come to take the Prime Minister's advice "to cut away from the past," and for the working class in applying his slogan, "Audacity is the thing for you," to proceed to "get a really new world." Expectations, condemned later as "foolish,"¹ had been nurtured by the working classes of getting among the results of the War a higher standard of living, and on the whole these "foolish expectations" had been encouraged both by the Government and by captains of industry. As Lord Hugh Cecil has put it in another connection, everybody in 1919 was a little mad. Mr. Henderson and Mr. Cole could justly point out at that time that

"not only social theorists, but also the most prominent spokesmen of the Government, and not a few employers, have constantly told the workers that we should never revert to the old conditions of industry, and that an altogether higher standard of life and an altogether superior status for the worker in industry would be secured as soon as the immediate burden of hostilities was removed."²

On the other hand, wage scales could no longer be regarded as entirely without relation to production costs in the ordinary sense. This had frequently been the case during the War, when contractors were guaranteed against loss on account of increased wages; in some trades efficient employers, working under conditions adapted to their less efficient competitors' needs, would have found it impossible, even had they tried, to avoid the accumulation of large fortunes. These changes in outlook mark a definite break from the period of the War, and it is therefore convenient to begin a consideration of post-War problems immediately

¹ Sir Lynden Macassey, *Labour Policy—False and True*, p. 245.

² Report of Provisional Joint Committee of National Industrial Conference. Memorandum of Trade Union Representatives. Cd. 501/1919, p. ii.

after the cessation of hostilities. "Psychologically, the War was over on 11 November, 1918, and the marked effect of the Armistice upon industry and business in general fully warrants the dating of the post-War period therefrom."¹

Discussions of wages and wage regulation turn mainly on two central problems: (i) the problem of determining the rates to be paid; and (ii) the problem of establishing efficient machinery to make and enforce such determinations, whatever their basis. The same machinery is often used for settling disputes about the interpretation of agreements; in a study of methods of industrial peace or of general industrial policy, these points, which often have important psychological reactions, require careful attention, but they may be neglected so long as our attention is confined to general wage problems. And in addition to considering the machinery of wage regulation, it is of even greater interest to examine the opinions which guide the individuals immediately concerned in wage negotiations.

In the general development of economics, theories of wages have, of course, attracted much attention, but they have sometimes appeared to suffer from a certain air of remoteness and detachment from the concrete problems of industry. If a purely theoretical consideration of the problem can lead to nothing more definite than the affirmation that "the wage of each person that suits advanced division of labour is to be regarded as an inexpressible function of numerous variables, many of which are inexpressible," how is this to be applied to the determination of the proper rates to be paid to plasterers in London, or to agricultural labourers in Norfolk? What principles, if any, guide the negotiators who have to answer such questions as these? How far does any reference, implicit or avowed, to economic law enter into their thoughts?²

The whole question of the interaction of practice and theory in the social sciences is well worthy of study, and in

¹ W. J. Lauck and C. S. Watts, *The Industrial Code*, p. 2.

² S. J. Chapman, Introduction to D. Knoop's *Industrial Conciliation and Arbitration*, p. xv.

the history of economic theory we can find many parallels to the close relation that existed, for instance, between Locke's theory of government and the practical demand for a reasoned defence of the Revolution settlement. It is as true of wage theories as of any of the other historic doctrines of economics, that none of them can be understood apart from the practical controversies of the period in which they were expounded. But in their turn the theories have had some influence on the further development of policy, and the attitude of public opinion towards wage regulation provides some evidence of this. Each of the three great theories which during the last century and a half have been held to explain the amount of wages payable per head to workers, the Subsistence theory, the Supply and Demand theory, and the Produce theory,¹ has helped to determine the way in which practical wage questions have been approached. In one frequently quoted case the idea of a wage fund, which was the basis of the Supply and Demand theory, was specifically referred to by an arbitrator as the ground of his award. In 1875 a reduction of wages was imposed on the Northumberland coal-miners, not because of the general condition of the industry or of any decrease in the price of coal, which was regarded as a prime factor in the regulation of miners' wages, but because the number of men employed in the industry had increased.² And while it would be fantastic to look for the basis of the tendency of privileged organizations to restriction of numbers in the careful attention given by their members to economic theory, it is not unreasonable to find some connection between this tendency and the emphasis placed by

¹ Cf. E. Cannan, *Theories of Production and Distribution*, Chap. VII, § 2.

² "The umpire thought that the chief reason why wages should be reduced lay in the fact that the number of men in the industry had increased, and he gives us an interesting sidelight on the influence of the wages fund doctrine. Where there had been formerly ten men there were in 1875 fourteen men, and therefore from 'the total wages fund' each man could only expect one-fourteenth instead of one-tenth, and he concludes 'that the restoration of economy in production cannot be brought about by abating the rate of wages only, or indeed mainly, but must be accomplished by reducing the number of men.'" A. E. Suffern, *Conciliation and Arbitration in the Coal Industry of America*, 1913, p. 278.

the wage fund theory on the direct dependence of wages upon the number of workmen.¹ The theories which, consciously or unconsciously, have guided the decisions of arbitrators and others who have had to determine wage-scales have, it is true, often lagged behind the development of theory by professional economists, or have unduly exaggerated certain features of their work, omitting some of the qualifications required to complete the theory. By 1875 the wage fund theory—which even to-day seems to lie at the back of some types of confused thought on wages—was no longer an unquestioned part of orthodox doctrine. The subsistence theory of wages, especially through the influence of the modifications which its exponents were forced to admit, if the theory was to be even a rough approximation to the facts, is still influential in the minds of people who believe that wage rates are determined by the standard of life of the workers. The questions which have been put to professional economists in connection with wages have often, as Professor Cannan observed in submitting evidence to the Committee on Women in Industry in 1919, implied “many assumptions which” they “cannot accept.”²

But though it is doubtless no less dangerous in wage theory than in other departments of economics to suggest that “there is nothing good or bad but thinking makes it so,” the opinions and general outlook of the interested parties are of the utmost importance in any attempt to ascertain the effects of any system of wage regulation. No one now believes with Kettle that

“it is too much the fashion to regard the rules [of political economy] as mere theories ; they are, in fact, as easy of practical and familiar application as a spirit-level and a pair of compasses, and an arbitrator, undisturbed by the emotions of the conflict,

¹ The *prima facie* advantages of restriction of numbers are indeed so obvious that it may be thought unnecessary to associate this widespread tendency with any sort of economic theory. As Jevons observed, “all classes of society are trade unionists at heart, and differ chiefly in the boldness, ability and secrecy with which they push their respective interests.” *The State in Relation to Labour*, p. vi.

² Cmd. 167/1919, p. 174.

would apply them to the facts before him almost as easily as an artisan uses these simple instruments." ¹

As Pigou says of regulation of hours, "if men conceive a particular number of hours to be 'just,' this fact alone may cause the concession of it to increase their efficiency by preventing listless work due to a sense of irritation." ² The unfortunate ambiguity in the meaning of the word "law" has been responsible for much confusion in popular economic discussion, and is partly responsible for the horror with which so-called interference with "natural" wage rates has been regarded—almost as if it were an impious defiance of the moral law. An economic law, as Marshall puts it, is a statement that a certain course of action may be expected under certain conditions from the members of a social group, "and is often only applicable to a very narrow range of circumstances which may exist together at one particular place and time, but which quickly pass away" ³; among the conditions which limit the application of economic laws must certainly be included the beliefs and prejudices of the social group that is under consideration. The "practical politician" usually realizes that it is not sufficient to have an irrefutable case in order to secure the success of a reform; it must also enjoy the more or less active co-operation of those who will be directly affected by it, while abuses that are quite indefensible often do much less harm than one would expect, simply because people have not yet realized that they are abuses. ⁴ The success of a capital levy, as some of its supporters have pointed out, depends no less on the proportion of the people concerned who believe that its results would be good or bad, than on its abstract validity as tested by the principles of economic theory.

¹ "Strikes and Arbitrations," cit. Pigou, *Principles and Methods of Industrial Peace*, p. 35.

² *Principles and Methods of Industrial Peace*, p. 51 n.

³ *Economics of Industry*, pp. 26, 398.

⁴ Cf. Barbara Wootton, "Classical Principles and Modern Views of Labour," *Economic Journal*, March, 1920: "It is the ideas of the *profanum vulgus*, odious though these may be to the economic mind, which direct economic forces." Cf. also E. Aves. Cd. 4167/1908, p. 46: "To a large extent industrial legislation is what it is thought to be, so important, through its effects upon conduct, is the attitude from which this legislation is regarded."

In dealing with wage problems we cannot regard Capital and Labour as impersonal abstractions. Capital is not driven out of the country unless some one takes thought in directing the course of its investment. Labour does not passively flow from one employment to another unless some particular labourer decides that it is worth while to learn a new type of work or transfer his home to some unknown town or place his sons in an unfamiliar trade. The strength of the forces lying behind the demand for and the supply of labour is not mechanically determined, but depends in part at least on the feelings and ideas which determine how any given wage settlement will be regarded by employers and employees. To achieve ideal justice in wage settlement may be difficult or impossible, but one cannot ignore the importance of the conflicting ideals of justice which help to determine how smoothly any settlement will work. In Marshall's view

“if the employers in any trade act together and so do the employed, the solution of the problem of wages becomes indeterminate; and there is nothing but bargaining to decide the exact shares in which the excess of its incomings over its outgoings for the time shall be divided between employers and employed.”

Economic considerations set an upper and a lower limit, but “what point between these limits should be taken at any time can be decided only by higgling and bargaining, which are, however, likely to be tempered somewhat by ethico-prudential considerations.”¹ In any case, it is inadvisable to push a purely abstract treatment of the wage problem far without constant reference to the facts of concrete cases. As Mr. Tawney aptly remarks, “the ingenuity of employers and workpeople so greatly exceeds that of economists that discussions of what ‘must’ happen, unsupported by evidence of what has happened, or is happening, are usually quite worthless.”²

¹ *Principles of Economics*, 8 ed., pp. 627-8. Cf. Appendix J, p. 825: “The theory of wages, whether in its older or newer form, has no direct bearing on the issue of any particular struggle in the labour market: that depends on the relative strength of the competing parties.”

² *Establishment of Minimum Rates in the Chainmaking Industry*, p. 105.

“ The plain simple thing which is called human nature,”¹ and to which appeal is so frequently made in discussions of industrial problems, is in fact far too complex and varied to permit us the comfortable belief that if difficulties of wage regulation were removed, “ industrial unrest ” would simultaneously disappear. Though wage disputes attract much attention, the history of labour relations during the War showed clearly—as indeed might easily have been deduced from other evidence—that there were many other important potential causes of conflict. It is still true, as was pointed out by the trade union representatives on the National Industrial Council Committee in February, 1919, that “ wage grievances are not, at the present time, responsible for more than a fraction of ” the industrial unrest.² As the Whitley Report puts it, “ a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis.”³ The intensity of industrial unrest is often in inverse and not in direct proportion to the wages received by the workers. Those who are anxiously looking for a radical reorganization of the bases of society are often inclined therefore to be impatient with such discussions as we propose to undertake, which appear to them to leave the main issues untouched. But it is also true, whatever type of economic organization is ultimately found to satisfy best the needs of men, that *some* method of regulating remuneration will be necessary, and an examination of the principles which have influenced thought and action in recent years should be relevant to the determination of this method, whatever it may be. “ Whatever theories the workers may favour,” writes Mr. Justice Higgins, the late President of the Australian Federal Arbitration Court, “ for the ultimate solution of the industrial riddle, they know that in the meantime men and families must be fed and clothed and housed. . . . The morrow’s breakfast is of more immediate concern than the millennium.”⁴

¹ Lord Stuart of Wortley, House of Lords, 25 February, 1919.

² Cd. 501/1919, p. vi. ³ Cd. 8606/1917, p. 6.

⁴ *A New Province for Law and Order*, p. 148.

On the other hand, there is always present the danger of hasty generalization from the more or less peculiar circumstances of our own brief experience.

“Any analysis of distribution is but a description of a particular industrial society at a particular time. To mistake a description of a particular society for a study of the action of physical laws has the effect of leading men to believe that the present must for ever reappear in the future.”¹

People who fall into such errors are indeed often ready enough to discount the value of conclusions drawn from the experience of other countries. The special circumstances of America or Australia or France which make their institutions ill-suited to English conditions have frequently been pointed out. The fact, of course, is that history never offers us a series of events without its special circumstances, and if we refuse to learn from every experience which differs in some striking respect from the conditions to which we have been accustomed, the scope of our study will be limited indeed. We are confronted with special circumstances at every stage of the story of post-War industrial relations; the impossibility of selecting any period which we can describe as normal constitutes one of the most serious difficulties in the way of systematic wage regulation, but the rapidity with which conditions have changed should increase rather than diminish the value of an examination of the conflicting principles which have been brought to light.

¹ *The Settlement of Wage Disputes*, p. 37.

SOME PROBLEMS OF WAGES AND THEIR REGULATION IN GREAT BRITAIN SINCE 1918

CHAPTER I

WAGE REGULATION DURING THE WAR

THOUGH the primary objective of war-time wage regulation was the control of labour supply, and the adjustment of wage rates was a matter of only secondary importance, it extended very far and its effects were felt long after the War was over. It is not easy to classify exactly the machinery by which wage increases were awarded; the method of wage negotiation through trade agreements, which was characteristic of English industry, and which a few years before the War covered about $2\frac{1}{2}$ million workers, was not entirely abandoned during the War. In some cases voluntary agreements were made the basis for the awards of the State tribunals, but the procedure of the Conciliation Boards which in some industries had long been in existence was generally found to be too slow in the rapidly changing conditions of the War, and the field covered by the various methods of Government regulation was so extensive and important that for all practical purposes no serious error is committed in assuming that wages throughout the country were under Government control of some kind or other. Though it is easy to exaggerate the speed with which wages in non-regulated industries adapted themselves to the levels established by official arbitrators, the rules thus laid down had to be followed sooner or later and with more or less

exactness over the whole field of industry. In some cases, e.g. the railways, the form of collective bargaining which had existed before the War was preserved, but the Railway Executive Committee with which the Unions now had to deal was a Committee of the Board of Trade, though its members were railway company managers, and in the event of disagreement the final decision lay with the Board of Trade, or sometimes with the War Cabinet. Coal-miners were also virtually State employees. The wages of agricultural workers were regulated by District Wages Committees, set up under the Corn Production Act of September, 1917, while the Trade Boards continued to control wages in a number of trades where the standard of payment had been unduly low. For munition workers—a term which it was found necessary to interpret very broadly—there was a great variety of wage-regulating machinery, but by 1918 a reasonable degree of co-ordination had been achieved, and apart from unpredictable interferences through the issue of direct orders from the Ministry of Munitions, the wage levels established by the chief arbitration tribunal, the Committee on Production, were generally followed.

Government regulation of wages perhaps had one unforeseen effect, which has increased the difficulty of negotiation since the War. It inevitably weakened the motives for the maintenance of that close contact between trade union officials and employers which before the War had tended to diminish the gaps between the claims of either side. Each party knew fairly well what the other was likely to concede, and the prospects of a conflict were accordingly diminished. During the War this contact was lost, and when the time came to resume direct negotiations, it was much more difficult than before to estimate the rates of pay that were appropriate.

The Committee on Production had been appointed in the first place on 4 February, 1915,

“ to inquire into and report forthwith, after consultation with the representatives of employers and workmen, as to the best steps to be taken to ensure that the productive powers of the employees in the Engineering and Shipbuilding Establishments working for

Government purposes shall be made fully available so as to meet the needs of the nation in the present emergency,"¹

and it was incidental to this more general duty that it became the most important piece of wage-regulating machinery in the kingdom. Its First Interim Report, on irregular time-keeping,² was issued on 16 February; in the Second, on production of shells and fuses, avoidance of stoppage of work and guarantee to workpeople, the Committee, on 20 February, reported its strong opinion that

"during the present crisis employers and workmen should under no circumstances allow their differences to result in a stoppage of work. . . . In the event of differences arising which fail to be settled by the parties directly concerned, or by their representatives, or under any existing agreements, the matter shall be referred to an impartial tribunal nominated by His Majesty's Government for immediate investigation and report to the Government with a view to settlement."³

The Government at once adopted the recommendation of this report, and appointed the members of the Committee as the "impartial tribunal" to which differences should be referred. A Third Report was published on demarcation of work and the utilization of semi-skilled or unskilled labour,⁴ but with the exception of a fourth and confidential unpublished report the Committee then devoted itself entirely to the work of an arbitration tribunal, and in July, 1915, its other functions were absorbed by the newly-created Ministry of Munitions. Despite several changes in personnel and organization, the name, Committee on Production, was not changed, and the maintenance of a steady supply of warlike material remained the ultimate and most important object of its work. It sat for the first time as an Arbitration Tribunal on 21 February, and the first Award was issued eight days later.

Towards the end of March most of the trade unions connected with munition work agreed to abstain from strikes, and in cases where direct negotiations had failed, to submit disputes either to the Committee on Production or to some

¹ Cmd. 185/1919, p. 6.

² Cmd. 185/1919, Appendix I, p. 1.

³ *Ibid.*, p. 3.

⁴ *Ibid.*, p. 4.

other arbitration tribunal. The whole arrangement at that time was quite voluntary and informal, and until July, when it became a statutory arbitration tribunal under the Munitions of War Act, the Committee had no power to enforce its awards. During the voluntary period thirty-nine awards were issued, and in every case the award was accepted. After July, the Committee's awards were binding on both parties, and although some important industries, e.g. mining, transport, and cotton, did not fall within the scope of the Act, the field to which compulsory arbitration could be applied was very wide. By an amending act of January, 1916, new tribunals were set up to deal with the wages of women and of semi-skilled and unskilled men in munition establishments, and though difficulties of co-ordination were thus created, they were not so serious as those which arose from the power conferred on the Minister of Munitions to settle rates of wages in some cases directly without the intervention of any of the arbitration tribunals. For the most part the minor tribunals adopted the standards laid down by the Committee on Production, and where disputants had alternative methods of settlement open to them, the Committee on Production was usually selected. The Committee established a general reputation for impartiality, and thus acquired an influence which extended far beyond the limits of the particular cases that came before it. Under a clause of the Amending Act of 1917 its awards could be made applicable to firms who were not parties to the original reference, and during the last quarter of 1917 thirty awards were extended in this way ; the payment of wages throughout the country generally followed the lines suggested by the work of the Committee.

The first chairman of the Committee was Sir George Askwith (now Lord Askwith), who since 1911 had filled the office of Chief Industrial Commissioner ; he had had a long and successful experience as conciliator in industrial disputes, whereby he had gained a more extensive public reputation than is commonly the lot of Civil Servants. With him were associated Admiralty and War Office representatives, both of whom had had some experience of industrial negotiations.

As the work of the Committee increased, it became necessary to reorganize its membership, and in May, 1917, several trade unionists and employers were added. The number was later increased to thirteen, a trade unionist and an employer with an impartial chairman sitting to hear each case.

The Committee on Production dealt with more than half of the disputes submitted to arbitration during the period 1914-18. A detailed analysis of the figures is not very illuminating, because the disputes varied widely in scope and importance. Though there were some important industries, the general regulation of whose wages was not undertaken by the Committee, minor disputes even in these were submitted to it, while some cases over which the Committee had no statutory authority were voluntarily referred. At first the Committee dealt piecemeal with each case that came before it, and though advances of wages in one part of the country were necessarily followed sooner or later by similar advances elsewhere, there was no attempt at national regulation. In February, 1917, however, on the suggestion of Sir George Askwith, it was agreed by the engineering trade that wage adjustments on a national basis should be made four-monthly, in February, June, and October, and similar agreements were later made in other industries, including shipbuilding. The right of either side to ask for local adjustments on account of special circumstances was reserved, but the number of separate awards that it was necessary to make was much diminished by these agreements. The first award under the engineering agreement was issued on 1 March, 1917.¹

The inquirer will search in vain the records of the Committee on Production for any systematic philosophy of wage-regulation, such as he may find in the work of Mr. Justice Higgins, of the Australian Federal Court of Arbitration, or of Mr. Justice Brown, of the South Australian Industrial Court. The formulation of a theory of wages was indeed no part of the business of the Committee. Its main object was to ensure an uninterrupted flow of warlike supplies,

¹ Award No. 689.

and it was therefore essential that decisions should be announced with a minimum of delay and in a form that could be easily understood. Awards were as a rule made without any reasoned statement of the principles on which they were based. It was apparently feared that any such exposition would provoke further conflict, and the experience of some independent arbitrators who issued reasoned awards was held to justify these fears. Generally speaking, the wage regulation of the war period was governed by considerations of expediency rather than of principle; when, as was sometimes required, awards had to be made within fourteen days of the reference of a dispute, there was little opportunity for working out general wage principles.

A few general statements about the work of the Committee are, however, important in relation to the history of post-war wages. Throughout the War wages steadily rose, though not at a uniform pace, and not in any exact proportion to the changes in the Board of Trade index number of retail prices. Lord Askwith tells us that "Labour desired equality of treatment, with some bias in favour of the 'under dog.' That principle was consistently followed throughout the War by the Committee on Production."¹ In accordance with this principle, little or no attempt was made to readjust the basic rates of wages paid before the War; the precedent created by the Railway agreement of February, 1915, was followed instead, and increases given in the form of flat-rate bonuses "to be regarded as due to and dependent on the existence of the abnormal conditions now prevailing in consequence of the war," so that the poorer-paid grades received a relatively greater increase than the others. But during the earlier part of the War wage increases in general did not follow either this or any other plan; sometimes the higher-paid grades received smaller increases, or no increase at all, and in one case higher allowances were granted to "employees who are householders" than to single men.² The 12½ per cent. bonus order gave increases proportional

¹ *Industrial Problems and Disputes*, p. 385.

² Award No. 24, 12 May, 1915, Newcastle-on-Tyne Tramways. Cf. Mrs. Webb's Minority Report on Women in Industry, Cmd. 135/1919, p. 263 n.

to earnings, but the Committee on Production generally adopted the principle of uniform absolute increases for all grades. Claims were sometimes submitted to it for percentage advances, but the Committee in nearly every case substituted uniform flat-rate increases. The cost of living at first advanced more rapidly than the increases granted by the Committee, but later the nominal rates again reached practically the same level of real wages as had prevailed in July, 1914. The Committee's formula was expanded in March, 1917, when it was announced that "the amounts hereby awarded are to be regarded as war advances, intended to assist in meeting the increased cost of living." The same formula was used in the Orders by which the Ministry of Munitions regulated the wages of female munition workers.

The Committee tried to avoid any settlement of long-standing disputes, of union demarcation, for instance, and intended to alter the basic wage-rates as little as possible. Its usual practice, as described in an award of November, 1917, was "to meet the position by the grant of a flat advance of wages, while at the same time not interfering with the relative rates of pay of various classes of workpeople as they existed prior to the outbreak of war."¹ Where a claim was lodged, as in the Bradford Woollen and Worsted Trade, for an increase in the basic rates for certain districts, the Committee made no award, but recommended the matter back to the parties concerned.² Similarly, in October, 1918, in the case of the Scottish Chemical Manufacturers, the Committee agreed that "the claim of the Unions for a larger measure of uniformity as between the various establishments in Scotland is reasonable," but contented itself with recommending a conference to discuss uniform conditions.³

In dealing with women's wages, where there was no tradition of organization or of basic rates, the Ministry of Munitions was able to base its orders on quite a different principle. It refused to settle the question of "equal pay for equal work,"⁴ but instead of uniform increases being

¹ No. 499, Locomotive Engineers and Firemen.

² No. 1968, 29 July, 1918.

³ No. 2530, 9 October, 1918.

⁴ No. 2200, Tramway and Motor Omnibuses, 29 August, 1918.

imposed upon local variations, standard rates were fixed, which were to be varied only in special cases. But in the case of men also the attempt to hold over all causes of fundamental difference until after the War was only partially successful. It was impossible in every case merely to preserve the *status quo*, and in some cases the Committee did more than maintain the pre-war standard of living. The actual earnings in many trades were distinctly higher, because of the general recourse to overtime and the almost complete disappearance of unemployment—the percentage of trade unionists out of work, which in December, 1913, had been 2.6, had by December, 1916, declined to .3. Workers who, because of age, sex, or inexperience, would have had to be content in ordinary times with low earnings were now able to reach the level which had formerly been reserved for skilled men, and in some sections of industry a definitely higher standard of life was established. But in general surveys of war-time wages, the universality of such high earnings has often been grossly exaggerated. There were considerable sections of industry in which the increases of wages were very slight, and even in those cases which lent themselves most readily to the art of the caricaturists, who seemed to regard it as contrary to the laws of nature that wage-earners should have anything to spare for superfluities, it is necessary in attempting any estimate of the “net advantages” of the employment to make a considerable allowance for the increased strain of incessant work. The low rates paid to women in some occupations throughout the War, and even to the end of 1920, when wages in general reached their highest point, deserve the careful attention of anyone making a survey of the facts relating to mobility of labour. Even at a time when thousands of workers were being jolted out of their customary reluctance to move, the mobility of labour was extremely imperfect. The extent and rapidity of wage increase during the War seems also to be connected with the strength of labour organization.

Perhaps the most striking fact in the Committee on Production Awards, and certainly a fact which had always to be reckoned with in post-war wage negotiations, was

their treatment of industry on a national instead of on a local basis. Increases in the engineering trade, for example, were applied to every establishment in the country engaged in munition work. Local conditions indeed were not ignored ; employers and workmen could apply for variations on the ground of special circumstances, but the national increases were the basic facts, and were universally applicable in the absence of definite proof of the existence of local peculiarities sufficiently important to justify special treatment. Of necessity, the form of the Committee's awards did not diverge far from the previous practice of the trades with which they were dealing. It was obviously impossible, even had it been desirable, under the conditions in which awards had to be issued, to work out entirely new forms of wage settlement, but in cases where the previous practice had been arbitrary or inconsistent there was now a constant tendency towards uniformity. The practice of describing increases as war bonuses or war wages made the transition to national negotiation easier, for in many cases there was no interference with the old local variations in the basic rates, on which were imposed the uniform national increases. From many of the published awards indeed—and this is true also of the post-war Courts—it is impossible to discover what rates were actually being paid. All that we are told is the amounts to be added to the basic local rates to meet the increased cost of living ; the Court made no further order, and it was not necessary to include the local rates in the award. National awards had obvious advantages when expeditious settlement was of vital importance, and the predominant influence assigned to the cost of living also facilitated the acceptance of national awards. For this was an influence that extended over the whole country in a more or less uniform way. The cost of living did not, it is true, increase in precisely the same proportion everywhere, but it was more convenient to award general advances, and make local adjustments later than to engage in a series of district investigations into the cost of living.

The adoption of the cost of living as the usual basis for wage changes constitutes the second point in the practice

of the Committee which is important for the history of post-war wage problems. In the early months of the War, when no doubt the members of the Committee were as hopeful as the rest of the community of a speedy termination of the War, it would have been difficult to state what principle, if any, lay at the back of the Committee's awards. In one early case an increase of wages was refused on the ground of the adverse effect that the War was exercising on the industry,¹ but as a rule there was no specific reference to this factor.

"H.M. Government" (it was announced in September, 1915) "have given earnest attention to the financial position of the country, to the great and increasing demands which will still be made upon its resources to meet the needs of the War, and to the imperative need for economy in all forms of expenditure, both public and private. They have also had regard to the general advances of wages that have already been given since the beginning of the War, and to the measure already taken to tax or limit profits. H.M. Government have come to the conclusion that in view of the present emergency any further advance of wages (other than advances following automatically from existing agreements) should be strictly confined to the adjustment of local conditions where such adjustments are proved to be necessary."²

This policy was followed until the spring of 1916, and did much to undermine the confidence of the unions in arbitration procedure. But its abandonment did not mean the abandonment of the attempt to restrain the tendency of wages to rise. In the view of Mr. Wolfe, the leaving certificate section of the Munitions of War Act of 1915 had a more profound effect upon wages than the section which was expressly designed to deal with them³; and when this section was repealed, the continuous rise of prices made it impossible to keep wages down any longer, and during the latter part of the War they were consciously based on variations in the cost of living, though the admitted imperfection of the data and methods by which the index number was calculated made it inadvisable to insist on any precise

¹ Award No. 30, Cement Trade, 3 June, 1915.

² Cit. *Labour Research Department, Wages, Prices, and Profits*, pp. 12, 13.

³ *Labour Supply and Regulation*, p. 109.

mathematical relation between the two. The general expansion of prices was in part at least due to currency inflation, and so far as this was the case, the policy of raising wages in proportion to prices finds favour even among those cautious economists who usually look with misgiving on any interference with the normal play of economic forces. Marshall, for example, observing that "Government could easily publish from time to time the money value of a unit of purchasing power which would be far more nearly constant than the value of money is," writes with approval of a scheme by which

"employers could arrange to pay as wages, instead of a fixed sum of (say) 30s., a sum of money so varying that it always gave the wage receiver the same purchasing power as 30s. did at the time of making the arrangement. . . . This would by one stroke make both wages and profits more stable, and at the same time increase the steadiness of employment."¹

The general theory of the cost-of-living sliding scale will receive attention later.² It is sufficient to indicate here the important part played by the Committee on Production in stimulating the movement of thought which constantly associates wages with cost of living. Since 1914 the fluctuations in the general price-level have been much more violent than ever before, and however he might describe the position, even the dullest observer has become conscious of the distinction between real and money wages. It was essential in the interests of internal harmony that some steps should be taken to relieve the pressure of rising prices. As Lord Askwith observes, the chief foundation of the Engineering Agreement of February, 1917,

"was to give general advances to meet the increases in cost of living. . . . It came just in the nick of time to combat these advances, so far as increase of wages could do it, in a manner which was generally understood and accepted throughout the country. It gave certainty instead of uncertainty, treated most classes of workers with equality, and, being generally followed by the mass of the people, tended to general absence of unrest."³

¹ Preface to L. L. Price's *Industrial Peace*, pp. xx, xxi.

² *Vide* pp. 217 *et seq.*

³ *Industrial Problems and Disputes*, p. 419.

Systems of payment by results were extended during the War, but though many pressed for their still wider adoption, the Committee on Production did little or nothing to accelerate the change. It accepted the existing systems of payment, sometimes recommended the introduction of payment by results,¹ but as a rule changes from time to piece rates or other similar systems were registered, but not caused, by the awards of the Committee. The question whether a refusal to work under such systems was a restriction of output was in one case submitted to arbitration, when a decision was given against the Union,² but on the whole the system made very slow headway.³

It has become the fashion to maintain that during the War wages were not determined in any way by economic considerations, and to contrast with the conditions which prevailed then the unpleasant awakening which the return to a nominal peace made inevitable. "Economic considerations," says Sir Hugh Bell, "had ceased to have any bearing. '*Inter arma silent leges*,' and most of all, the laws of economics."⁴ The relation established between wages and cost of living was undoubtedly a revolutionary change, and though this policy seemed to most people to be eminently fair, there was little attempt to think out carefully the place of this relation within an economic system. But in so far as there was any interference with the normal operation of economic forces, it probably acted to keep the level of wages rather lower than would otherwise have been the case. As Mr. Wolfe puts it, "*inter arma silent leges* . . . may be translated as meaning that under war conditions economic laws ought to be silent," but in fact they continued to rumble throughout the War.⁵ The wages of workers engaged in munition factories and other essential industries were be-

¹ No. 1835, Admiralty Dockyard Employees, 12 July, 1918.

² No. 2414, Plumbers, Vickers, Ltd, 27 September, 1918.

³ Cf. H. Wolfe, *Labour Supply and Regulation*, pp. 263-70.

⁴ *Contemporary Review*, September, 1923, p. 284. Cf. Talks with Workers on Wealth, Wages, and Production, p. 198: "The worker has been able to raise his standard of comfort because ordinary economic conditions had been superseded by war conditions. Millions were working for the Government, and their work had no more to do with the law of supply and demand than with the law of capillary attraction."

⁵ *Labour Supply and Regulation*, p. 100.

lieved to be very high, but the conditions of demand would probably have enabled them to push their earnings still higher, had the determination of wages been left to the interaction of the ordinary forces of supply and demand. Among the newly recruited female labour in munition industries there was a danger of sweating; the men's unions were, however, jealous of any "unfair" competition, and the Special Orders of the Ministry of Munitions and the awards of the women's arbitration tribunal probably prevented their wages from falling as they might have done under conditions of unrestricted competition. But the wages of men, and in particular of skilled men, tended to rise more rapidly than arbitration awards would permit. As a Labour Party writer puts it, "for the first time for many hundred years the demand for labour was greater than the supply, and State intervention was promptly resorted to in order that Labour should not take advantage of its strong position"¹; a contributor to the *Edinburgh Review* in April, 1920, is in substantial agreement:

"The skilled tradesmen in the munition industries" (he writes) "were in the position of monopolists, and the ordinary economic laws if allowed to operate would have placed them in altogether too privileged a position. . . . [Up to the beginning of 1917] the machinery for regulating wages had probably operated in such a way as to restrict the extent of the advances obtained by the men within far smaller limits than they would have reached under the ordinary conditions of collective bargaining."²

If an attempt were made to plot the supply and demand curves for labour, it would be found that the demand curve had become almost a straight line at an indefinite distance from the base, and under such circumstances the level of wage rates also might be raised almost indefinitely without economic forces ceasing to operate.³ Any attempt to take full advantage of these facts would, of course, have been almost universally condemned, and on grounds not economic. But this is not what writers usually have in mind when they

¹ *Industrial Negotiations and Agreements*, p. 9.

² Pp. 377, 379.

³ Cf. W. T. Layton, *Introduction to Study of Prices*, pp. 141, 142.

speak of the non-economic character of war-time wages.¹ "With a huge shortage of labour," writes Mr. Wolfe, "there was no longer any economic check on wages,"² but that is not to say that high wages were not the result of economic forces. The fact that the war advances received by engineers were nearly equal to the whole wage of the cotton worker is undoubtedly to be explained by reference to such forces. The examination of war-time wage movements points indeed to another set of circumstances in which the unfettered operation of economic forces leads to undesirable results, and the discussions which this point has aroused suggest the necessity of more careful examination of the real meaning and nature of economic law. It is indeed interesting to reflect upon the nature of scientific laws which cease to operate as soon as war breaks out. In trades where the demand for labour was not so pressing wages did not rise so high. Among the facts which made the establishment of the Committee on Production such an urgent matter was the brisk competition between employers to attract skilled workers to their factories. Men frequently left their employment in response to offers of higher pay elsewhere; from the first months of the War there were complaints of "poaching" and a smooth flow of production became impossible. In England, and later in the United States, society could study the phenomenon of two masters running after one man, and discovered that the results were not so admirable as had been supposed.³ These considerations indeed are characteristic of the general movements of wages, rather than of the reasoning on which presumably the awards of the Committee on Production were based.

¹ Discussions of a "living wage" have so impressed themselves on the public mind that "an economic wage" is sometimes used in this sense also. The representative of a Cambridge Omnibus Co. stated that "if they could possibly reduce the fares they would do so, providing that it does not effect the reducing of the employees' wages below an economic figure," *Cambridge Daily News*, 29 September, 1923. This perhaps points to a new and better interpretation of "economic," but at present is likely to cause confusion.

² *Encyclopædia Britannica*, 12 ed., Vol. XXXI, p. 717.

³ Even in the case of the Agricultural Wages Boards the regulation of the labour supply was at least as important as the adjustment of wages. For it was necessary to take steps to prevent the attraction of agricultural labourers into more highly paid industries.

Shortage of labour made it easier for the members of some trades to secure increases, and the flat-rate advances may be justified by reference to the improved economic position of unskilled men, whose wages were no longer depressed by chronic oversupply, but there is nothing to show that the Committee ever awarded an increase *because* such a shortage existed.

Modern experiments in State wage regulation have frequently been censured on the ground that the experience of mediæval England has already exposed the futility of such attempts. To this the usual reply has been that there is no real similarity between systems of regulation which enforce a legal minimum, but do not interfere in any way with the workman's chances of securing a higher wage, and the older system which had as its avowed object to prevent the hiring of workmen at any wage above a given maximum. Adam Smith's observation correctly interprets the early history of wage regulation by the State :

"Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them. . . . Whenever the legislature attempts to regulate the difference between masters and their workmen, its counsellors are always the masters." ¹

State wage regulation since the War has not followed the mediæval model, but much of the work of the Committee on Production has far more in common with the Statute of Labourers than with the later awards of the Industrial Court. Individual workmen sometimes earned very large sums, but such earnings were nearly always due to exceptional piece-rates or lengthy overtime, and not to bargaining with employers for rates of pay higher than those

¹ *Wealth of Nations*, Book I, Chap. X, Part II. In a statute of 1512 the penalties for not paying the wages authorized by the Statute of Labourers were actually repealed so far as they related to the masters, thus leaving them free to pay less, but prohibiting the workmen from demanding more. Statutes at Large, 4 Hen. VIII, cap. 5, cit. R. G. Paterson, "Wage-Payment Legislation in the United States," *Bulletin of United States Bureau of Labour Statistics*, No. 229, December, 1917, p. 9. The colonial period of the history of the United States is said to be "full of laws restricting the amount of wages and imposing fines for exceeding the established rates" (*ibid.*, p. 11).

granted by the Committee. The rates prescribed by the Committee were in effect not only minima but also maxima. There was, it is true, no attempt, as in the Statute of Labourers, to fix wages at a figure hopelessly out of relation to the level of payment to which economic forces would have enabled the workmen to rise; especially during the latter half of the War, after the abolition in August, 1917, of the leaving certificate, wages were frequently increased, but there was a definite bar to any attempt to rise above the prescribed standards by offering one's labour to an employer who was willing to pay more. The embargo on wage advances during the early months of the War left, as we have seen, a deep impression on the minds of trade unionists, and this must always be remembered in attempting to estimate the success or failure of war-time arbitration. The leaving certificate regulations later served a similar purpose to that of the embargo, and when these were abolished there was an attempt, only partially successful, to insist on the insertion of clauses in Government contracts, whereby employers bound themselves not to pay more than the prescribed rates.

It is therefore difficult to draw any moral for peace-time application from the results of wage regulation in time of war. During the latter part of the War it is true that there was no economic check on wages. To prevent wages from rising to the heights to which purely economic forces would have driven them, it was necessary to resort to checks which were non-economic. These conditions can scarcely be reproduced in time of peace.

Many people agreed with Sir Lynden Macassey that compulsory arbitration during the War "proved a complete failure."¹ The circumstances under which it was tested were in some respects peculiarly favourable, but employers and employees agreed that it was undesirable to maintain the system after the urgency of war demands had relaxed. In several important cases the attempt to apply the Munitions of War Acts to industrial disputes failed, and war-time

¹ *Journal of Society of Comparative Legislation and International Law*, January, 1920, p. 73.

England was in no sense "a country without strikes." Few strikers were prosecuted, and action was more frequently taken under the Defence of the Realm Act than under the Munitions of War Acts. But though it may not be very profitable to conjecture what industrial conditions would have been in the absence of compulsory arbitration, it should be remembered, as Mr. Wolfe points out, that all the most considerable strikes were unconnected with wages.¹ "The machine of compulsory arbitration, combined with a reasonable use of the munitions tribunal, did, under the stimulus of war conditions, go a long way to keep the industrial position steady in respect of purely industrial matters."² Wages did not have such a predominant influence as before the War in determining the point of view of workmen, and many of the causes of friction were ill-suited to treatment by arbitration. Nor did a comparison of the conditions of workers who had struck with those of men who remained quietly at work always create an atmosphere favourable to arbitration. As the trade union representatives already quoted justly pointed out in March, 1919,

"it has been much more difficult to get prompt attention to industrial grievances during the War in those cases in which the workers, from patriotic motives, have remained at work and endeavoured to act by constitutional methods than where they have come out on strike or threatened immediate and drastic action."³

Whether any conclusion can be drawn or not from the experience of the War concerning the wisdom or foolishness of wage regulation in time of peace, it is useful to consider it, both in order to understand the history of the post-War period and in working a wages policy. For the story of Government control of wages is not—as perhaps the story of some other experiments in Government control is—a mere episode, with nothing but an historical interest. As Mr. Wolfe puts it, "the War had altered not only the mechanism of industry, but its psychology,"⁴ and the

¹ *Encyclopædia Britannica*, 12 ed., Vol. XXXI, p. 721.

² H. Wolfe, *Labour Supply and Regulation*, p. 134.

³ *Cd.* 501/1919, p. vii. ⁴ *Labour Supply and Regulation*, p. 302.

justification for treating the subject at all here is that the story left a deep impression on the opinions and prejudices of those who since the War have had to settle wages. Among these opinions is the widespread belief that Government interference with wages is a bad thing, but the differences in the industrial conditions and in the purposes which wage control would now have in view are so radical that there is no justification in logic for the deduction from the success or failure of the Committee on Production of the goodness or badness of Government control of wages in general.

CHAPTER II

THE POSITION ON 11 NOVEMBER, 1918: THE WAGES (TEMPORARY REGULATION) ACT

THE policy to be adopted in relation to the extensive machinery of wage regulation was naturally among the first problems that presented themselves for solution at the end of the War. Compulsory arbitration had not been applied to the whole of industry, but the power of the Minister of Munitions to extend by proclamation the authority of the Munitions of War Acts was practically unlimited, so that there were no important industries in which, in theory at least, wages could not be regulated by compulsory arbitration. The Government, however, had never concealed its opinion that this machinery should not be made permanent, and workpeople and employers were agreed in principle in opposition to Government interference. The Agreement of March, 1915, would never have been made, except on the understanding that the prohibition of strikes was not to extend beyond the end of the War, and it was announced to a national conference of employers and workpeople on 13 November, 1918, that the post-war policy was to leave the parties to industrial disputes as far as possible free to adjust their own differences. No one knew, however, when the "abnormal conditions now prevailing in consequence of the War" were likely to disappear, while new complications would be created by the return to civil life of large numbers of soldiers, and the necessity for carrying out the pledge to restore the pre-war trade union customs. It was feared that rapid demobilization would mean a surplus of labour and a consequent lowering of the standard rates, and industries which had improved their position during

the War were strongly opposed to any reversion to the standards of 1914. The cessation of the demand for military supplies also threatened serious dislocation. The whole question of ensuring a smooth transition from war to peace conditions in industry had not been very carefully examined, though the preparation for post-war problems was probably more thorough in Great Britain than in most other countries. An abrupt return to pre-war industrial conditions was generally felt to be impossible. Business could not be satisfactorily carried on if the whole structure on which it had been built up for four years were suddenly to be destroyed.¹ After the feverish activities of war a slump in trade was generally anticipated, and it was desired to protect the men returning from the army from the effects of a sharp decline in wages, which would probably be the result of premature decontrol. It had been laid down in the Munitions of War Acts, on which the authority of the Committee on Production depended, that their provisions were to remain in force so long as there existed a Ministry of Munitions, and the term of the life of the Ministry was set at twelve months after the end of the War. But as munition work diminished, and it would no longer be possible to justify proclamations making other industries subject to the jurisdiction of the Committee, its authority would be limited, and there would be no adequate machinery to prevent the industrial disturbances which, if prices remained high, would follow a reduction of wages.

The real purpose of maintaining State wage regulation had indeed entirely changed. The ordinary channels of

¹ The task of enumerating the unfulfilled prophecies concerning the post-war period is perhaps neither profitable nor edifying. Nearly everybody united both in predicting a slump immediately after the War, and in refusing to predict a slump when the feverish boom of 1919-20 was at its height. Mr. B. S. Rowntree is among the small number of men who can claim to have foreseen the course of post-war industry fairly accurately. Cf. *Labour and Capital after the War*, ed. S. J. Chapman, p. 231. The Government certainly did not anticipate the boom. The Minister of Labour, Mr. G. H. Roberts, in the debate on the Trade Boards Act on 22 July, said, "After the War grave dislocation is bound to ensue, and wages may slump with most undesirable social consequences, unless machinery is established to adjust matters on a just and humane basis." As late as the time of the Dockers' Inquiry in 1920 people were still talking cheerfully of an indefinite prolongation of the period of prosperity.

negotiation between workpeople and employers had lain unused for several years, and though the resumption of the old methods of collective bargaining was desired, it was unlikely that an abrupt termination of Government regulation would achieve this end. It is probably a little rash to affirm that "there was a general desire in the country for permanent arbitration machinery,"¹ but many who under normal conditions would have refused to consider the question at all had become better acquainted with its possibilities, and more inclined to agree to its continuance in some modified form. Few trades were ready to resume independent discussions of wages and working conditions, and it was therefore considered desirable to give the Committee on Production a new statutory authority. On 21 November accordingly the Wages (Temporary Regulation) Act became law.

The Act was based on a report that had been prepared by a Committee of which Sir John Simon was the chairman, not for the Ministry of Labour, but for the Ministry of Reconstruction. Its principles, as Mr. Roberts, the Minister of Labour, explained to the House of Commons, had been considered and accepted by the principal employers' associations and trade unions, and after consultation with their representatives, several amendments were made in the original draft to meet their views. The Bill passed the House of Commons without a division and with very little debate. In the House of Lords there were some gloomy though vague forebodings of impending disaster, but no attempt was made to amend the Bill. Under the new Act the Committee on Production ceased to exist; its place and the place of the special women's tribunal set up in 1917 were taken by an Interim Court of Arbitration. The new Court was in fact a continuation of the old Committee, with some new members, but its general position was in some fundamental respects quite different. The clauses of the Munitions of War Acts relating to the prohibition of strikes and lock-outs were repealed, so that there was in general no legal obstacle in the way of striking for a higher wage

¹ *International Labour Review*, March, 1921, p. 105.

than that awarded by the Court. Employers, however, were forbidden to pay their workpeople rates lower than those prevailing on 11 November, 1918. This prohibition applied to the whole of industry, and not only to those sections which had been regulated by the Committee on Production. Wage levels were to be stabilized for six months. Application might be made to the Interim Court for the award of a "substituted rate" in place of the "prescribed rate," as defined by the Act, but apart from such an award, or from an agreement approved by the Court, no decrease in wages could legally be enforced. As Sir Robert Horne observed in reviewing the position later,

"nobody quite knew the course the cost of living would follow, although most people expected that it would rapidly decrease. Provision was made for either event. If the cost of living rose, application could be made for an increase in the rate of wages, and if it fell it was possible for the employer to make an application for a reduction."¹

Such a reduction would in fact not have been compulsory, but as no reductions were awarded the point was never tested.

Some fears were expressed at the danger of stereotyping wages at an unduly high level. It was thought that with the withdrawal of Government contracts, under which increases in wages were borne by the Government itself, employers would be unable to pay the wages to which workmen had become accustomed. Many employers, however, felt that it would pay well to ensure tranquillity by maintaining wages at a high level, while stabilization secured the further advantage of diminishing the number of unknown factors in the calculation of costs. In fact the general upward trend of wages was not interrupted, and the question of a reduction of wages did not come before the Court. The fear that the cessation of Government work and the demobilization of the army would lead to widespread unemployment soon passed away; currency inflation and the pent-up demand for goods which had had to go unsatisfied during

¹ House of Commons, 6 November, 1919.

the War combined to produce an enormous expansion of trade.

The degree of stability that was conferred on wages must not, however, be exaggerated. The Act did nothing to prevent the upward movement of wages, and there was some complaint that contractors were still unable to calculate with precision their future wage liabilities.¹ But the provisions of the Act make it quite clear that machinery for raising wages was deliberately provided, and complaint would have been more justly directed against the currency policy with which the rise in prices and in wages was intimately bound up. The Act was to expire at the end of six months, because as Mr. Roberts stated, "the Government is particularly anxious to encourage each industry to deal with wages and allied questions for itself as soon as practicable," and it was anticipated that this could be done at the end of six months. These anticipations were not realized, and in April, 1919, another conference of employers and trade unionists recommended the extension of the Act for another six months. Early in May, in accordance with this recommendation, the Wages (Temporary Regulation) Extension Bill was introduced into Parliament, and passed through all stages with practically no debate.

¹ Cf. Special Correspondent in *The Times*, 21 December, 1918.

CHAPTER III

THE INTERIM COURT OF ARBITRATION, NOVEMBER, 1918, TO NOVEMBER, 1919

THE Interim Court of Arbitration issued in all 931 awards and registered 252 agreements. Only three awards were rejected and followed by strikes, of which the most important was that of the Ironmoulders in the latter part of 1919, when there was some dispute as to the relations of the unions concerned to the engineering trade agreement of 1917. It would not be difficult to classify the awards from several standpoints—the Annual Report on Conciliation and Arbitration does so according to the groups of trades and industries with which the Court had to deal¹—but the statistical accuracy of such classifications would in nearly every case be delusive, and no useful conclusions could be drawn from them. Of the 252 agreements, for example, nearly two-thirds affected the building trade. This was not due to any enthusiasm for the Court, but to the fact that the Government, in carrying out its housing policy, insisted that wage agreements should be approved by the Court of Arbitration before sanction was given to municipal housing schemes. In the same way the number of references to the Committee on Production had been inflated by the refusal of the Government to compensate contractors for increases of wages which had not been granted by a properly constituted tribunal. The nature of the available material in this case makes a general statement less misleading than an attempt at a stricter statistical presentation. It is impossible to get any accurate notion of the number of workers directly affected by the Court's awards, whose

¹ Cmd. 185/1919, pp. 46–50.

range varies from the general awards settling the wages of all the unions who still adhered to the Engineering agreement to awards determining the "prescribed rate" to be paid to a single workman. The mere statement of the number of awards issued may give a misleading impression of the width of the field covered by the Court. Though national wage settlements had become increasingly common during the War, they had not become universal, and even where they existed there was room for wide local variation. Accordingly more than 400 awards deal with disputes involving only one firm or small groups of two or three firms, while about 100 affect single municipal corporations or other semi-public bodies. The total number of general awards (including awards for Scotland) was sixty-four; these covered engineering, shipbuilding, chemicals, explosives, soap and candles, the Scottish building trade, railway shopmen, cement, flour-milling, rubber and other less important trades. Several of these, for the most part trades which had been in the habit of receiving awards from the Committee on Production, looked regularly to the Court for a wage settlement, but other trades now sought new channels of negotiation.

More important indeed than a classification of awards is a distinction between three separate functions which were discharged by the Court. In the first place, where the Act authorized it to establish a "substituted rate," it determined future rates of wages. Secondly, it decided what "prescribed rates" could already be legally claimed by workmen, and thirdly, in cases not covered by the new Act, it served as a voluntary conciliation tribunal working under the provisions of the Conciliation Act of 1896.

The Wages (Temporary Regulation) Act made it an implied condition of every contract of employment that the worker should receive a "prescribed rate" of wages, which in general was the rate paid to workers of the appropriate grade on 11 November, 1918. More than 200 of the cases that came before the Court were concerned with disputes as to what exactly the "prescribed rate" was, or to what grade of labour certain workers belonged, or with

other points of interpretation of awards, or with demands for further extensions of the $12\frac{1}{2}$ per cent. bonus, which called for the application to particular cases of principles which had already been laid down. And as many of the other claims for increases were based on more general awards already in force elsewhere, it is clear that in a large proportion of cases a statement of the principles of wage regulation was scarcely possible, even had the members of the Court been as ambitious, as they were in fact reluctant, to undertake the task.

The first function of the Court was analogous to the functions of the Trade Boards and arbitration courts of other countries, which determine what wages shall be paid in the future ; the second was semi-judicial, similar to the function of the French *conseils de prud'hommes* and industrial courts, and similar bodies in other European countries, whose duty it is to interpret existing wage contracts, and to ensure that the parties to the contract receive the payments to which they are legally entitled. The two functions, though distinct, are of course related, but a body occupied with the second need not have anything to do with the first, while in a state which undertakes both functions, it is quite conceivable and indeed usual for an institution charged with the first duty to leave the second to another tribunal, and in the interests of clarity of thought the two functions should be clearly distinguished.

In general discussions of wage regulation or of conciliation and arbitration one frequently finds references to the French *conseils de prud'hommes* without any clear realization that their work is based on principles quite different from those which underlie the work of true arbitration courts.¹ In some of the English legislative proposals of the nineteenth century, the Arbitration Act of 1824, for example, and the Councils of Conciliation Act of 1867, the French *conseils*

¹ Sir William Mackenzie's review of the early history of industrial arbitration in the *Journal of the Royal Society of Arts*, 11 May, 1923, refers to the limitations placed by earlier Acts on the regulation of wages by arbitration or conciliation boards, but the fact that the absence of such powers completely alters the character of the board, though implicit in his account, is not stated as explicitly as might be desired.

were avowedly taken as a guide, and although their functions are dissimilar, the iron and steel and other private conciliation boards of the last century are said to have been based upon the same model. But the development of such bodies is a part of legal, rather than of industrial history. The 1824 Act stated explicitly that justices were not authorized to establish a rate of wages without the consent of both master and servant. The disputes which go before a French industrial court, usually claims for unpaid wages, would in England or the United States be settled by one of the ordinary courts, and appeals from the French courts are settled in the same way as appeals from any other subordinate tribunal. The English judicial system is perhaps defective in the absence of such courts, but this question is only remotely relevant to the main purpose of our discussion. As the writer of an exhaustive report to the United States Bureau of Labour puts it,

“these courts are based on the theory . . . that the labour contract is a contract of a special nature to which special rules should be applied, and that, as the relations to which it gives rise become more and more complicated, there needs to be developed for their regulation special legal machinery. To a certain extent the plan adopted is an adaptation of the jury idea.”¹

The existence of a wage contract is an essential condition of a case falling within the jurisdiction of a court ; collective disputes lie entirely outside, as well as all disputes relating to the terms of future contracts. As in most primitive tribunals, decisions are based as much upon the customs of the trade as upon law in the stricter sense, but as a consequence of the development of large-scale industry the terms of wage contracts are more and more carefully defined, and the conditions of labour so standardized that individual disputes become more infrequent ; the courts are therefore much more busy in districts where industry is not yet highly organized.

Although actions for non-payment of wages would still

¹ Helen L. Sumner, *Industrial Courts in France, Germany, and Switzerland*, p. 288. *Bulletin of the United States Bureau of Labour*, No. 98, January, 1912.

have to be brought before the ordinary courts, the Court of Arbitration, like the French courts, had the duty of determining what rates of wages were legally recoverable. It had to interpret the implied terms of the wage contract in much the same way as other courts had to interpret the terms of ordinary commercial contracts. The avowed purpose of the authors of the Act, the protection of the worker against sudden and violent decreases of wages while the price level remained high, was probably in the main achieved. The 1920 Report on Conciliation and Arbitration states that "comparatively few complaints reached the Department of Labour of non-compliance with awards and orders."¹ Those workers who belonged to unions which were able to present, or threaten to present, cases before the Court, were no doubt well protected; but even at the time when trade union membership reached unprecedented heights, there were large numbers of unorganized workers, and it is not possible to be quite so confident that none of these were compelled to submit to illegal decreases. More than a century's experience in the United Kingdom has shown that the best-intentioned industrial legislation is almost entirely useless without the support of adequate inspection. As Professor Tillyard observes, "the aggrieved workman does not play any direct part in making industrial legislation effective."² A bad Act with efficient inspection might indeed be preferred to a good Act with no inspection at all. The Wages (Temporary Regulation) Act made no provision for inspection, probably—if the matter was ever given any consideration—because it was merely a temporary Act. The general condition of trade would in any case have tended to keep wages up, but in view of the experience of some of the poorly paid industries during the War one can scarcely ignore altogether the possibility of some illegal decreases among isolated and unorganized workers.

In the earlier awards of the Interim Court of Arbitration there is no explicit reference to the Act under which disputes were referred, but between June and November, 1919, in more than 140 cases the reference was said to be in accord-

¹ Cd. 221/1920, p. 16.

² *The Worker and the State*, p. 24.

ance with the Conciliation Act of 1896. This Act was the first effective attempt in Great Britain to secure State encouragement for conciliation and arbitration in industrial disputes. Lord Askwith describes it "a mere skeleton, and a skeleton so restricted in shape and size as necessarily to affect any life with which it might be endowed"¹; its provisions were permissive, and there was no compulsion to ensure the acceptance either of the machinery of conciliation and arbitration or of the decisions which were reached. In 1919 a permanent panel of arbitrators was appointed with a view to facilitating the use of the provisions of the Act, and also to testing public sentiment in regard to arbitration, but the change was purely administrative. Three panels of fifteen members each were nominated by the President of the Board of Trade, one of employees, one of employers, and one of independent persons who were to act as chairmen of boards of three members. During the War the machinery of the Act, like most of the leisurely peace-time machinery of conciliation, fell into disuse, but the Industrial Courts Act of 1919 is, as we shall see, in the direct line of development from the Act of 1896. So far as the cases referred to the Court of Arbitration under the Conciliation Act did not involve the declaration of a "substituted rate" in the sense of the Wages (Temporary Regulation) Act, the Court was carrying out a third function, that of giving decisions which had no statutory binding force, in cases where the parties voluntarily submitted their differences to the Court. With the repeal of the last vestiges of compulsory arbitration, it was this third function which was taken over by the Industrial Court.

A Court with a membership to a great extent identical with that of the Committee on Production would be expected to carry on its work along practically the same lines, and in spite of the important differences in the circumstances under which wage regulation was now attempted, there is scarcely any change in the general form or character of the awards. The published award in each case states briefly the nature of the difference between the parties, usually recapitulates

¹ *Industrial Problems and Disputes*, p. 78.

any points in their history which bear on the dispute, less frequently summarizes the arguments, though with a careful absence of any indication of approval or blame, and concludes with a declaration of the terms which are to settle the dispute, with, in a few rare cases, a partial indication of the reasons for the award. The rigid abstinence from explanation which marked practically the whole of the latter work of the Committee on Production was slightly relaxed, but awards were still not written in any expansive style. Where applications for increased wages were not explicitly based on some other award or agreement, full explanation of the points of view of the parties was rare. Even if the members of the Court had been anxious to give it, a statement of general principles was obviously not called for in those awards which merely determined matters of fact, while in the regulation of future contracts, precedents created by other awards and agreements were considered as so important as to leave but narrow limits within which even the liveliest ambition to mould a new system of industrial common law could exercise itself. Apparently none of the members of the Court were blessed, or afflicted, by any such ambition, and even where general awards were issued, covering a whole trade, it is not uncommon to find merely a statement of the rates of pay, etc., which are to be enforced without any reference to the principles which guided the Court's decisions.

The old formula, "war advances, due to and dependent on the existence of the abnormal conditions now prevailing in consequence of the War," was still frequently used, but it no longer appeared with such uniform regularity as in the awards of the Committee on Production. It is not possible, however, to discover any significance attaching to the omission of the phrase. Increases given by awards in which the formula was lacking were not based on any principles different from those applied to other cases. One or two of the members were perhaps more careful than their colleagues to preserve the old form, but even they did not maintain any consistent usage. It would not indeed have been easy to say in November, 1919, what was the precise

meaning of the formula. During the War it meant, if anything, that increases so described were to be withdrawn as soon as the end of the War brought the anticipated fall in prices. But when the price level continued to rise, and with marked acceleration, and wages in consequence rose as well, it became more and more difficult to regard the increases in prices as a result of the War in any sense that would not have applied equally well to everything else that happened after November, 1918. But there was no obvious advantage in continuing to point out in each award that everything would have been different had there been no war. The implication that such war advances were somehow less secure than the basic rates, whether justified or not, certainly helped to excite the fever of unrest, which caused such alarm throughout this period. As a writer in the *Edinburgh Review* stated,

“the separation is apparently intended to enable [the war bonuses] to be reduced in the future, and . . . naturally provokes resentment and unsettlement in the minds of the workers. It is highly problematical whether any such reduction will ever be effected—apart from a change in the industrial situation—and it seems therefore a questionable policy on the part of employers to impede industrial reconstruction by standing out for it.”¹

During the War a war bonus usually did not count for calculation of overtime rates and other special payments. A “war wage” was regarded as more satisfactory, because it was believed that it could be withdrawn while prices remained at or above the war level.²

The members of the Court were ever mindful of the fact that it was the Government’s intention to encourage the return to pre-war methods of regulating wages, and frequently refused to deal with matters on which a decision by agreement could have been reached. It was no part of their duty to determine the broad outline of the Government’s industrial policy, and consequently they refused to entertain requests from particular districts or industries, which, if granted, would have far-reaching reactions throughout the

¹ April, 1920, p. 391. ² Cf. *Labour Year Book*, 1919, p. 235.

country. Regulation of hours was limited to the extension of agreements or awards already made to cases where it was clear that the circumstances were the same.¹ The question of a general reduction of hours the Court refused to touch.² Increases of wages were still given in most cases as flat-rate advances applying either to all grades of workers, or to all grades over the age of eighteen, and so long as this policy was maintained the relative differences between the higher and lower paid grades of labour, of course, became steadily smaller. The Court itself drew attention to this fact in its Shipbuilding Award in November, 1919, when it showed that, corresponding to an increase of 120 per cent. in the price of commodities recorded by the *Labour Gazette*, the wages of the lowest paid workers had advanced 172 per cent., but of the higher grades only 92½ per cent.³ The Court was sympathetic to claims for increases of the basic rates in special cases, but reluctant to insist on them. In Award No. 837, for example, it advised the parties to meet to consider the revision of certain specially low wage rates, but refused itself to make any award.⁴ Following the example of the Committee on Production, the Court also refused to interfere with long-established customs in particular industries, or to settle long-standing causes of dispute. The Committee had refused claims for preference to unionists⁵; the Interim Court refused to compel the railway companies to pay district rates of wages to tradesmen in their employ, or to make any variation in previous practice which would settle the ancient conflict between the railway unions and

¹ The Court also adjusted wages to ensure that reduction of hours did not cause reduction of earnings. It was declared "that each worker who is paid by results should be able with reasonable diligence and good time-keeping to earn approximately the same amount of money as he ordinarily earned before the reduction of working hours." Award No. 838, Tube Makers, 23 October, 1919.

² Cf. Award No. 113, Scottish Flax and Linen, 30 December, 1918, and No. 130, Laundries, 8 January, 1919.

³ Award No. 869. Similarly, though Mr. Justice Higgins thought it "inadvisable, except in extreme circumstances, to diminish the margin between the man of skill and the man without skill," he states also that the margin had not been proportionally increased. *New Province for Law and Order*, pp. 55-6.

⁴ Scottish Ironfounders, 22 October, 1919.

⁵ Award No. 1531, 5 June, 1918.

the craft unions about the proper classification of railway shopmen.¹ No variation was made in the practice of the Committee on Production with regard to payment by results.

The awards of the Court affecting the largest number of men were issued with reference to the four-monthly appeals which the Engineering Unions continued to make to the Court, and as the decisions in these were frequently repeated verbatim for other trades, e.g. shipbuilding and railway shopmen, or similar awards were made without repeating the reasons given to the engineers, these cases may be considered in greater detail. No other awards were signed by every member of the Court, which evidently felt that it was here definitely laying down general principles, and not merely applying principles which had already been determined. Awards were usually signed by three members of the Court, one a chairman or deputy-chairman, the others appointed to represent employers and employees. This was the procedure of the Committee on Production, and was itself based on the earlier conciliation procedure which the Board of Trade had endeavoured to encourage before the War. There is nothing to show whether there was ever any disagreement among the members of the Court, or what happened in the event of disagreement.

As with the Committee on Production, so here the general awards of the Court had indirect effects extending far beyond the parties who actually appeared before it, and even those unions who deliberately withdrew from the general engineering agreement to avoid the jurisdiction of the Court and ensure freedom in making more drastic demands on their own account, were not able to escape its influence. The ironmoulders' strike in 1919 brought this fact into clear relief. Three unions, believing that the Interim Court would refuse any claims which were not based on an increase in the cost of living, withdrew from the agreement in order to negotiate a higher standard for themselves. But the engineering and shipbuilding employers were unwilling to grant to one section of their workmen more than the Interim Court

¹ Award No. 29, Railway Shopmen, Hull, 5 December, 1918.

would grant to the others, so that in effect the awards of the Court continued to limit the wages of the ironmoulders.

The first Engineering claim was settled in March, 1919, by Award No. 320. Increases previously granted totalled 28s. 6d. weekly for time-workers with a bonus of 12½ per cent. on earnings, and the Engineering Unions now claimed a further increase of 15s.

“The basis upon which the various claims were considered by the Committee on Production” (the Court declared) “was, generally speaking, the increase in the cost of living. So far as this was a factor in the consideration of the matter by the Committee on Production, they had regard to the evidence afforded by the officially recorded figures published periodically in the *Labour Gazette* by the Ministry of Labour. The latest returns show a decrease in the cost of living compared with the prices obtaining when the last award of the Committee on Production was issued,”

and for this reason no variation in wages was permitted. In July, the unions applied for a similar increase, while employers, relying on the decrease in the cost of living figures, asked for a reduction of 5s. “In view of this decrease, and having regard for all other considerations that were urged before them,” the Court refused any increase, but as

“the outlook at present appears to the Court to be one of much uncertainty, and, though there may be differences of opinion, the Court note that some official authorities have publicly expressed the expectation that the prospect is one of dearer food and more difficult conditions,”

the Court also refused the counter-claim of the employers.¹ In November the same request for increase was advanced a third time. The cost of living index number was back at the level of November, 1918, and the employers emphasized the disadvantages to industry of the frequent changes in wages which had become the practice during the War. But the Court felt

“obliged to bear in mind that the ensuing months are winter months; and that there is a general expectation, based on what appear to the Court to be substantial grounds, that considerable

¹ Award No. 588.

increases in the prices of various important articles of food and commodities in common use will take place,"

and accordingly awarded a weekly increase of 5s. without describing it as a "war advance."¹ "This," writes Mr. Philip Snowden, "is the first and so far the only instance where an advance of wages has been granted to meet a prospective increase in the cost of living."² A hostile critic might suggest, as no doubt many did at the time, that the Court, having already refused an advance twice, felt bound at last to give way, and that the reason to be assigned for the advance was quite a secondary matter. The Court had always been extremely cautious in laying down anything that might be interpreted as a general rule, but in this case, in view of what had already been stated in previous awards, it would have been difficult to make an award without giving reasons. But though considerations of expediency were still given the closest attention, the policy of the Court was probably not so purely opportunist as its critics imagined, and the reason assigned for the increase was no doubt perfectly genuine. It was indeed simply another application of the principle on which the decrease had been refused in July, when the cost of living had actually fallen. But the Court never made any attempt to follow the movements of the *Labour Gazette* index number with even a show of precision. The cost of living was expected to rise; wages were therefore increased in anticipation by 5s. weekly. But to the question why they were raised by 5s., and not by 6s. or 4s., no answer was given, and probably no answer was possible. In July, the employers in the Chemical industry claimed that the

"present minimum war advance be reduced . . . by a percentage equal to the percentage reduction in the cost of living as quoted in the *Labour Gazette* for July, 1919, when compared with the figures quoted in the *Gazette* for November, 1918,"

but the Court refused to bind itself to any such rigid application of a cost-of-living sliding scale.³ It announced that

¹ Award No. 870.

² *Wages and Prices*, pp. 67-8.

³ Award No. 593, 15 July, 1919.

it accepted the figures published in the *Labour Gazette* "as indicating the alterations in the cost of living with substantial accuracy,"¹ but it made no attempt to adjust differences in wages in any exact proportion to the differences in the published figures.

The attitude of the Court in refusing to adopt a rigid rule may, of course, have been perfectly correct; many arbitrators would maintain that the Court should have gone farther, and given no reasons whatever, but it is natural to ask a Court which lays down, however tentatively, the principles which determine its decisions, for further information concerning the way in which the principles are to be applied to particular cases. For the Interim Court of Arbitration these questions remain unanswered.

In view of the general lag of wages behind prices, the attempt to anticipate increases in the cost of living is important, but in November, 1919, the attempt had less influence on the general level of wages than it would have had a year earlier, for by that time the importance of the Court as a part of the wage-regulating machinery of the country was diminishing, and other industries were less willing to follow its example.

The Court, it should be observed, was careful to make it clear that the cost of living was not the only factor by which wages were to be regulated. The Committee on Production had been accustomed to claim that it had given "careful consideration to the statements and arguments submitted to them in connection with [the continued increase in the cost of living] and to all the circumstances of the case,"² and the Interim Court was just as careful to insert some vague reference to "other considerations," but usually without attempting any further specification and without any indication of the relative importance to be attached to such considerations. In the Cotton Weavers' case, for example, the employers contended that the pressure of

¹ Award No. 870, Engineering, 5 November, 1919.

² Award No. 105, Engineering, 14 July, 1917.

competition made any further increase in wages dangerous to the industry. In the award it was stated

“ that the Court have very carefully considered . . . the effect on earnings of the several increases which have been given, taking into account the fact that owing to shortage of material a great deal of short time has prevailed in the trade during the War. The Court have also had regard to the increases in wages which have been given in other trades to assist workpeople in meeting the increased cost of living, as compared with the increases given in the trade now under consideration,” ¹

but beyond these vague indications there is nothing to show why the precise percentages by which wages were increased were selected in preference to any other. In practice changes in the cost of living were much the most influential in determining changes in wages. In the awards of November, 1919, the Court made some observations on the flourishing condition of trade and the necessity for increased output, but its remarks on this subject were perhaps intended more as an exhortation to greater diligence on the part of the workers than as a justification for an increase of wages.

In general then the Interim Court of Arbitration continued to display, with slight modifications, the characteristics that we have already observed in the Committee on Production. Uneasiness as to the adequacy of the cost of living as a basis of wages was perhaps growing, but so long as the “ boom ” lasted, this question did not present itself in any serious form. The Court was not expected to have any permanent existence, and a tribunal with a life of only a few months before it could scarcely tackle the whole complicated problem of the proper principles for the determination of wages.

(The awards for the Engineering industry may be consulted in the General Awards of the Committee on Production, Interim Court of Arbitration and Industrial Court, relating to the Engineering Trades, published by the Wages and Arbitration Department of the Ministry of Labour in August, 1920. The complete awards of the Interim Court were printed, but not

¹ Award No. 57, 12 December, 1918.

published, in two volumes. A summary of all the awards of the Committee on Production and of the 1918 awards of the Interim Court of Arbitration is published in Part 2, Appendices I and IV of Cmd. 185/1919. Some of the more important awards are also reprinted in full.)

CHAPTER IV

WAGE NEGOTIATION IN 1919 AND THE NATIONAL INDUSTRIAL CONFERENCE

(a) Wage Problems in 1919.

THE Interim Court of Arbitration, of course, did not pursue its deliberations *in vacuo*. At every turn its work was necessarily affected by the general conditions of industry, as well as by the other attempts which the Government was making—or, as some would put it, pretending to make—at a thorough-going industrial reconstruction. The industrial history of England can indeed show no year more thronged with incident and controversy than the year following the end of the War. In all the important industries, engineering, shipbuilding, railways, coal-mining, cotton, agriculture, there was an insistent demand for radical reorganization. The field of the Trade Boards, which, up to 1918, had been regarded as more or less experimental, was rapidly enlarged. High hopes were entertained of a recasting of industrial relations through the machinery of the Whitley Councils, and of even more widespread reform through international negotiation and organization. In some most unexpected quarters there were grave discussions of a general minimum of wages and maximum of hours to be imposed on industry by legislative enactment. Fortunately it is not necessary here to recall the full story of those crowded months; any adequate account would involve careful consideration of some of the most thorny and complicated problems of politics, as well as of economics and industry. But it is nowhere more clear than here that it is impossible to consider one corner of the economic field in complete isolation from the rest, and whatever be the special problem in which we

are interested, a sketch of the industrial background of 1918 and 1919 will be useful.

Some reference has already been made to the general state of exaltation to which the majority of Englishmen were raised by the conclusion of the War. "The Peace Conference," as Mr. Barnes observed to a cheering crowd on 17 November, 1918, "is going to give us a new world. . . . We shall be able for the first time to devote our minds to raising the standard of life,"¹ and three weeks later Mr. Lloyd George stated that "we can change the whole face of existence."² It is perhaps a little unfair to press too far the flamboyant prophecies of excited electioneers, but it is even more true of the campaign of December, 1918, than it is of most elections, that the perusal of candidates' speeches can, in a calm moment, afford satisfaction only to the cynic. As was ruefully observed a little later, "enough and too much has been said of the New Earth to come."³ In relation to wages three lines of thought must be noted. The first was a general movement towards a reduction of hours; the second, an attempt to raise the standard of living, in particular of classes of labour which it was generally agreed had been ill paid before the war; the third, a general aversion to the prolongation of Government control of industry—an aversion, however, in which the agreement between employers and workpeople was more formal than real.

(b) Reduction of Working Hours.

The movement for a reduction of hours was the first to attract public attention. It was in part the effect of a natural reaction from the prolonged strain of incessant labour during the War. The value of leisure was appreciated as never before, and in many cases men were much more anxious to secure a reduction in the number of working hours than to increase their earnings. To say, as a *Times* special correspondent wrote of the coal-miners of Lancashire, that "some men prefer increased leisure to improved standards

¹ *Times*, 18 November, 1918.

² *Times*, 6 December, 1918.

³ *Edinburgh Review*, April, 1920, p. 389.

of home life," seems scarcely an adequate description of the situation, for any broad interpretation of economic welfare would surely include "increased leisure" among the factors that constitute "improved standards of home life."¹

Of many pre-war demands for reduced hours, it had been alleged, and perhaps with some justice, that the real aim of the trade unions was increased earnings through extension of overtime, rather than a real shortening of the working day. It would perhaps be rash to assert that this motive had now entirely disappeared, but the almost universal intention of those who supported the enforcement of an eight-hour day during 1918 and 1919 was a real extension of the hours of leisure. That rational workmen, whom one could not justly reproach with idleness, should nevertheless be genuinely anxious to extend their opportunities for leisure, was throughout this period for many people an apparent contradiction which they were never able either to understand or to resolve. Strikes, it was hinted, were declared simply in order to get a holiday, the high wages received enabling men to do so without any hardship, and it never seemed to occur to the critics that the shocked surprise expressed at the desire of members of the working classes for holidays was a most flagrant example of the feeling of class distinction, which they themselves were the readiest to condemn in others, that "pestilential 'class-consciousness,' which extreme Labour men preach, and which so many rich people and their middle-class imitators more quietly practise."² The willingness of some men to work overtime was indeed warmly attacked by their more active fellow trade unionists, because the comparatively high earnings due to overtime were believed to blind them to the real lowness of their wages.³

Concessions of hours had this very solid advantage: that they were not liable to fade away almost imperceptibly as

¹ *Times*, 17 February, 1919.

² *Manchester Guardian Weekly*, 13 April, 1923, p. 283.

³ Cf. *Railway Review*, 1 November, 1918. Overtime—Our Enemy. "Overtime keeps wages low, and cripples a man's power to rebel. It deadens his sense of resentment, and seriously hinders the association with his fellows that is not only a law, but also a necessity to the progress of the race."

a result of the vagaries of Government currency policy. There might indeed be some dispute whether an eight-hour day for a miner did not mean in effect a nine-hour day, but the length of the hour was not affected by the recommendations of currency experts. It could not escape the attention of even the most obtuse that increases of money wages were often quite delusive; reductions of hours, on the contrary, were solid and trustworthy, and could be altered only after further open discussion. In many industries the reduction of hours has been the only permanent result of post-war industrial reorganization.

In the mind of the general public, the experience of the munition factories during the War had created a feeling very favourable to the reduction of hours. In the general enthusiasm of the first months of the War many had been in favour of a complete suspension of the provisions of the Factory Acts which limited working hours, and in consequence very long hours were often worked. But instead of increasing output, an extension of the working day, by the excessive fatigue which it caused, its detrimental reaction on health, and consequent irregularity of attendance, actually diminished output, in the case of men no less than of women and children. A restriction of hours was not only good sentiment, but also good business, and the policy of the munition factories was accordingly revised. There was indeed still an overestimate of the length of the most productive working day, and a further reduction was made during the latter part of the War—a useful reminder of the necessity of taking long views in estimating the effects of changes in industrial conditions. As *The Times Medical Correspondent* observed:

“Recent scientific work of the very first order has suggested that the man who asks for shorter hours is very frequently right, and the employer who opposes him is just as frequently wrong, and is, in addition, acting against his own best interests.”¹

It is significant that the United States, coming into the War later, profited by European experience in avoiding the

¹ 21 December, 1918.

unfortunate results of a hasty relaxation of factory legislation and trade union rules, and maintained in her munitions work a series of careful and elaborate provisions regulating hours and conditions.¹

The experience of the War did not, however, show that the precise reductions of hours claimed by the shipbuilders, for example, would inevitably result in the more speedy construction of ships; there had been some attempt at an estimate of the length of the working day which would ensure maximum productivity in different classes of work, and useful reports on this subject were published by the Committee on the Health of Munition Workers.² But though these investigations had been very valuable, the range of the data was too narrow to give quite adequate results; it cannot be argued that they point to an eight-hour day—and much less to a six-hour day—as invariably the most desirable from the point of view of output, which, it should be noted, is not necessarily the same as the point of view of economic welfare. In most industries no careful calculation was made. All that can be said is that the case for denying that shorter hours meant a proportionately diminished output, which the whole history of factory legislation during the previous century had already established, was much strengthened by the experience of the War. On either side of the argument there was still a marked reluctance—possibly for very good reasons—to attempt any rigorous statistical investigation. In opposition to the claim for reduced hours, as was pointed out at the time, precisely the same arguments were used as had done service in similar controversies during the whole of the preceding century, and as the prophecies of the ruin of industry had invariably been falsified, it was natural that they should now be received with much suspicion.

In estimating the forces which affected public opinion on this question, Lord Leverhulme's advocacy of the six-

¹ David H. Miller, *International Relations of Labour*, pp. 24-5.

² Cf. Memoranda Nos. 1, Cd. 8132/1915; 5, Cd. 8186/1916; 7, Cd. 8213/1916; 12, Cd. 8344/1916; 13, Cd. 8362/1916; 18, Cd. 8628/1917; 20, Cd. 8801/1917; Interim Report, Cd. 8511/1917; Final Report, Cd. 9065/1918.

hour day should not be overlooked. The working of at least a double shift was, of course, an integral part of his scheme, though this point was not always emphasized. Few people would have agreed, even in February, 1919, that "Lord Leverhulme is more responsible than any other man in the country for the present agitation for shorter hours of work,"¹ but his authority as a successful "captain of industry" helped at least to make public opinion more complacent in its attitude to schemes for reduced hours.

From the workers' side, a reduction of hours was also sometimes supported for quite other reasons. It was frequently stated that a reduction was necessary to enable industry to absorb the large numbers of men who were returning from the army, and thus to prevent unemployment. The Electricians' Union, for example, supported a "national 40-hours working week, with the object of absorbing all the unemployment in the country,"² and it would be easy to multiply quotations in illustration of this point.³ The effect of a reduction of hours apart from its influence on output was not always clearly distinguished from the effect on output itself, though the two questions are quite distinct, but it seems clear that among some trade unionists it was believed that a general reduction of hours, even if it had no favourable reaction on output, would diminish unemployment. Their opponents did not encourage them to clarify their thinking, for in many cases they also confused the two issues, and assumed that output was always directly proportional to the number of hours worked. Nor can people who engage in discussions of foreign trade of the type familiar in some popular newspapers afford to despise the ignorant workman who swallows the "lump of labour" fallacy.⁴ The same fallacy is doubtless to be found embedded among the curious medley of ideas which found expression in the demand for the total exclusion of aliens

¹ Letter in *Times*, 22 February, 1919.

² *Times*, 4 February, 1919.

³ A similar argument was used before the Australian Commonwealth Arbitration Court in 1920, and rejected by it. *New Province for Law and Order*, p. 125.

⁴ Cf. H. Clay in the *Industrial Outlook*, ed. H. S. Furniss, p. 74 n.

from Great Britain after the War.¹ The belief was very widespread that under present conditions workers would not receive any benefit, or at least a proportionate benefit, from increased productivity, and this idea in some confused way easily led to the belief that a reduction of output corresponding to a reduction of hours would not penalize the worker.

If a reduction of hours is accompanied by a reduction of wages there will undoubtedly be a reduction of unemployment; the smoothness with which the principle of an eight-hour day was established in Australia in the last century is said to have been partly due to the willingness of many workers to accept a diminished daily wage.² Restrictions of overtime may react favourably on employment for the same reason, and short time is in effect a reduction of hours with a corresponding reduction of pay. And when in particular industries, e.g. the railways, it was stated that the new demands would involve the addition of so many thousands of men to the railway pay-rolls,³ this looked at first sight like a real expansion of employment. If the demand for the goods and services of the workers concerned were sufficiently inelastic, there would always be some increase of employment in the trade directly affected, but a consideration of the indirect effects on other trades makes it impossible to accept the crude view of the relation between hours and employment. For improved employment in one direction would in general be counterbalanced by unemployment in another. The redistribution of purchasing power due to the employment of the new men might, in some favourable instances, slightly diminish the total volume of unemployment, but this effect would in any case be small, and the popular demands for reduction are not based on any such nice balancing of probabilities. If the extra costs due to the reduced hours

¹ Cf. resolution of Council of British Empire Producers Organization, *Times*, 16 April, 1919.

² There seems to be no evidence for Marshall's suggestion that a contributory cause of the crisis in Australia in the 'nineties was a premature reduction of hours. *Principles of Economics*, 8 ed., p. 701 n.

³ The actual number is said to have been 76,000. *Industrial Year Book*, 1920, p. 176.

can be met from profits or by making management more efficient, the argument of course is based on more solid grounds, and this is probably in the minds of the official Labour bodies who have sometimes hinted at a reduction of hours as a partial cure for unemployment. But the immediate improvement in efficiency must be small, and if the demands are pressed, when the employers are unable to meet them, we substitute for the problem of distribution the problem of the organization of industry. In the circumstances of to-day it is also important, in discussing reductions of hours, to remember that an unemployed man is still drawing something from the community's store of goods. Most modern societies are agreed that it is impossible to allow a man in such circumstances to starve, and unemployment insurance funds give him some sort of maintenance, however inadequate. His maintenance, however, is still a charge on the community, and continued unemployment may mean, in addition to the loss of output during the weeks of unemployment, a more or less permanent deterioration in his future productive capacity.

Fallacies have seldom been killed by argument ; a reasoned refutation is less effective than a change of circumstances which makes the original fallacy irrelevant, and in connection with this particular fallacy, a real solution of the unemployment problem, the removal of the ever-present sense of insecurity in the mind of the worker, will provide the most fruitful soil in which to scatter the seeds of sound economic doctrine. The extraordinary popularity of Government employment shows, it has been said, that " security and regularity are an irresistible attraction to the vast mass of workers."¹ In an atmosphere of security and regularity it is not difficult to take long views. As the *Manchester Guardian* well observes, " the remedy does not lie in refuting [the] arguments which are often a mere after-thought. The only remedy is to cure the distrust."² And it is significant that building, the trade in which complaints of diminishing output have, whether justified or not, been

¹ E. Colston Shepherd, *Fixing of Wages in Government Employment*, p. 170.

² 19 September, 1919.

most frequent, is also the trade in which employment in normal times is most irregular. A consideration of variations of output over a reasonably long period makes it clear that even when the effects of fatigue, with which the Health of Munitions Workers Committee was most concerned, have been eliminated, output does not then become a simple function of hours, but depends on a variety of other very complex causes. The fear of unemployment goes a long way to explain the fact that output has not yet fully compensated for the general reductions of hours in 1919.

The cynic might indeed suggest that an examination of the grounds on which changes of working conditions have been demanded or refused is a waste of time, because in every case the claim is made or refused first, and the reasons thought out afterwards. He might hold with Adam Smith that "the workmen desire to get as much, the masters to give as little, as possible,"¹ and deny that there was anything more to be said on the matter; it has been suggested that the only definition of a living wage about which general agreement could be obtained would be "something more than is actually being paid." And certainly one cannot read the story of the complicated negotiations of this period without detecting many clear cases of rationalization. The study of wage regulation in general might well be made from the standpoint of psychology no less than of economics. But to interpret the industrial conflict as purely irrational would be a simplification as misleading as the view which sees only the interaction of "economic men" guided only by motives of self-interest. The task of disentangling motives is indeed no easy one. Estimates of public opinion are notoriously liable to error; and though the lapse of time increases the amount of material on which we can base our judgment of the past, it makes it more difficult to set the facts of which we read in the background, which alone gives them their full significance.

We find rationalization of another kind in the elaborate hypotheses of plots which are put forward on either side to explain the actions of opponents. It would no doubt be

¹ *Wealth of Nations*, Book I, Chap. VIII.

rash to affirm that the policy of wage negotiators is never characterized by long-sightedness, but in dealing with labour problems employers have certainly shown stupidity much more often than the machiavellian cleverness which is sometimes attributed to them. And in those cases where there is some evidence of a deliberate attack on the standard of wages, they have shown less of real ability in laying their plans than of that specially stupid cunning, which invariably, sooner or later, defeats its own ends. Radical critics in general are too much inclined to attribute an unnatural intelligence to their opponents, and it may be doubted whether, even from the strictly practical point of view of propaganda, this practice should not be condemned.

Engineering and shipbuilding were the first industries in which negotiations for the reduction of the working week (in this case from 53 hours to 47) were commenced. There was little dispute about the desirability of reduction, but a large section of the workmen was discontented with the proposal which was ultimately ratified, and demanded a reduction to at least 40 hours. Over this point there were some unofficial stoppages of work during the early months of 1919, while other strikes were caused by dissatisfaction with the adjustments of wages and working conditions, notably the number of breaks in the working day which the reduction of hours made necessary. In nearly every trade a considerable reduction of hours was arranged, and in this respect the Interim Court of Arbitration merely followed the general trend of industry. In some cases a 44-hour week was secured, but a 47- or 48-hour week was more common, and the exact number of hours selected was influenced a good deal by the convenience of the working arrangements within the factory or plant. During 1919 it is calculated that 6.4 million workers obtained reductions in the length of the normal working week, averaging 6.5 hours each.¹ The transition was usually quite peaceable, but in some instances there was a suspicion that an attempt was being made to accompany the reduction of hours by a withdrawal of long-established

¹ *Labour Gazette*, January, 1920, p. 4. These figures do not include seamen, agricultural labourers, domestic servants, shop assistants, or clerks.

privileges, which would to some extent render the concession nugatory ; this suspicion obviously did nothing to increase the mutual confidence of the parties to the bargain.

(c) Wages and the Cost of Living.

Increases of wages were not so easily or so uniformly gained as reductions of hours, but a reform of pre-war practice was proclaimed by nearly every political leader. It is not necessary to quote the programme of the Labour Party, but immediately after the Armistice Mr. Lloyd George is reported to have spoken of "the necessity for a minimum wage, which would ensure to every honest worker a decent standard of living,"¹ while Mr. Asquith in his election address stated that

"we ought not to be content until every British citizen, man, woman, and child, has in possession or within reach a standard of existence, physical, intellectual, moral, social, which makes life worth living, and not only does not block, but opens the road to its best and highest possibilities."²

In such utterances as these there is often a certain vagueness, perhaps a studied vagueness, about the means by which these very desirable ends were to be attained, and, as we have already observed, the contrast between the hopes of 1918 and 1919 and the realities of 1923 often makes the speeches of the politicians of that period melancholy reading. On a strict interpretation of their words it is not always correct to infer that the speakers were favourable to State regulation of wages, but though there was a good deal of talk about increased production, there was certainly a strong feeling, based perhaps on insufficient grounds, that in many cases industry could bear a substantial increase in wages without any restriction of its capacity for expansion, and that the machinery of the State was well fitted to ensure this result. During the election campaign, however, public attention was temporarily diverted to the more congenial topics of hanging the Kaiser and making Germany pay ; early in 1919 the problem of "industrial unrest" began again to occupy a prominent place in public thought and

¹ *Times*, 13 November, 1918.

² *Times*, 27 November, 1918.

discussion, more prominent indeed than it had ever occupied before.

In relation to wages, there were two distinct lines of attack combined in the demands of the trade unions. It was maintained, in the first place, that the continued rise in the general price-level should be compensated by a corresponding increase in wages. This, as we have seen, was the policy generally adopted during the War, and at this time few were disposed to question publicly either its justice or its economic validity. The rise in prices was indeed often attributed to an alleged previous rise in wages, and the "vicious circle" was widely discussed. The theory that "the higher the wages the higher must prices inevitably be,"¹ seemed in the opinion of many scarcely to require proof, though a comparison of prices in countries with very divergent levels of wages would have suggested that the matter was not quite so simple as this theory would have made it. But most people were much puzzled by the problem of rising prices²; those who insisted on having someone to hate usually selected the profiteer as the object of their emotion, while theorists who spoke of an inflated currency were treated by professed "practical" men with much less respect than they deserved. As a rule, however, a claim for an increase of wages based on rising prices was not countered by a categorical rejection of the basis of the claim; discussion was confined to the details of the adjustment, the necessity for which was in principle admitted, and this attitude is reflected in the frequent adoption of cost-of-living sliding scales.

Claims for increased wages which aimed at a definite improvement in the standard of life necessarily had a more nebulous basis than those based on cost-of-living index number variations, which, whether economically sound or not, had at least the appearance of reasonableness and of mathematical exactness. But it was here that the influence of the exaggerated hopes aroused by the enthusiasm of war-time oratory was most powerful. Men who had been

¹ Letter to *Times*, 12 February, 1919.

² Cf. E. Cannan, *Money*, 3 ed., pp. 64-72.

assured that a return to the low pre-war standards of payment was impossible had accepted these frequently repeated statements at their face value, though there was much vagueness on all sides about the methods by which the anticipated revolution in the general standard of life was to be carried out. There was, for instance, much muddle-headed thinking about the sources of the apparent prosperity of the country during the War,¹ and those who tried to explain that the country had been living on its capital were often only one degree less confused in their ideas. As Lord Buckmaster suggested to the House of Lords,² the extravagant claims for war indemnities did much to encourage the view that the wealth of the country was to be vastly increased without any serious effort on the part of its inhabitants. To assume that there was an inexhaustible pool of wealth in England was, as critics of Labour delighted to show, an obvious economic heresy; to doubt its existence in Germany was, according to the same people, not far removed from treason.

(d) Government Regulation of Wages.

Though there was much talk about "Government interference in industry," there was no general agreement about the meaning of the phrase, which indeed begs at the outset the whole question of the functions of the State in relation to industry. The employer was anxious to revert as soon as possible to pre-war commercial and industrial conditions, and protested loudly against the waste and inconvenience of unnecessarily prolonged Government supervision, "the hopeless ineptitude of uninstructed bureaucratic control."³ Many of his complaints were well founded, but with them was mingled a strong prejudice against control of any sort, whatever its results might be. The average employer had all his life been accustomed to managing or muddling his business in his own way, and Government control was to him a reversal of the order of nature, to be borne only under

¹ Letter from H. H. Benn, *Times*, 17 March, 1919.

² Debate on Industrial Unrest, 18 February, 1919.

³ *Economist*, 15 May, 1920, p. 997.

the extraordinary stress of war conditions. Even for war purposes, it was hinted, the philosophy of individualism had demonstrated its soundness. "We went to war and beat the enemy," according to Lord Weir, "because we gave full play, more or less, to individual enterprise against an enemy who fed his industries through a Government spoon and choked them at the finish."¹ There is evidently much virtue in the phrase "more or less." Individually in normal times the employer "feels himself the equal, and generally the superior, of any Government official, and in association with his fellow-employers that feeling is developed."² With the return of peace he expressed a fear that he was "doomed to spend the rest of his life filling up forms."³

The workman naturally viewed these questions with more detachment, and so far as he had any clearly defined views, preferred to see Government control extended and consolidated. His experience during the War had not indeed left him with any profound respect for the machinery of the State, and the bureaucratic theory of State Socialism had in many minds been replaced by the new gospel of workers' control. "The State as an employer and as the assister of employers during the War lost more in prestige than the State of patriotism and of 'the defence of the people' could possibly regain."⁴ The governmental interference to which the workman was generally opposed—and in this his employer usually agreed with him—was the official control of wages. He suspected that the exigencies of the War had been used to deprive him of increases of pay. In one case a strike was declared against the Ministry of Labour, because it refused to sanction a rate of wages for building operatives which the employers were willing to pay. The Government, of course, had a special interest in such cases, because of the financial aid given to housing schemes, but their action was described as an "unwarrantable interference with an arrangement between employers and employed." The strikes of West Yorkshire coal-miners and of

¹ *Times*, 26 April, 1919.

² F. Tillyard, *The Worker and the State*, p. 43.

³ E. J. P. Benn, cit. *Times*, 18 December, 1918.

⁴ C. Delisle Burns, *Government and Industry*, p. 214.

Lancashire bakers in July and August were of a similar nature, the Government refusing to sanction arrangements which were approved by both employers and workmen. It cannot be pretended that the Government's action in these cases was necessarily either stupid or malicious. The hybrid system of control, which was the cause of these clashes, was the result of "a thoroughly unsatisfactory state of affairs which combines the worst features of bureaucratic socialism and unregulated private enterprise,"¹ but the burden of increased wages would fall, not on the employer—who in the mining industry received a guaranteed profit of 1s. 2d. per ton—but either on the taxpayer or the consumer. In such circumstances the Government could no longer be regarded as impartial, and this widespread impression naturally influenced the attitude of trade unionists to Government interference with wages in other directions. There was

"a belief in the world of Labour that the awards of the Court of Arbitration are at least as much determined by orders or suggestions from the Government, often guided by political considerations, or by the influence of vested interests, as by a free and impartial consideration of the case,"²

and whether this belief was well founded or not, it created an atmosphere distinctly unfavourable to Government arbitration tribunals.

Nor was it easy, in view of his experience during the War, to convince the trade unionist that he had formed an exaggerated opinion of the value of the strike weapon.³ The idea lying behind the statement of Mr. P. Thirsk, the President of the National Amalgamated Union of Shop Assistants, Warehousemen and Clerks, that

"without the power of combination and collective bargaining which the union afforded, it was safe to say that but little of the sum, exceeding £1,000,000, gained for members during 1918, by way of improved minimum rates of pay, would have been added to their earnings,"

¹ *Manchester Guardian*, 8 August, 1919.

² *New Statesman*, 8 November, 1919, p. 149.

³ Cf. Cd. 501/1919, cit. *supra*, p. 34.

was widely accepted by trade unionists. As Mr. Clynes said on 24 January, he knew of no instance "where any concession was given to workmen without the application of the force of trade unionism." Investigation would no doubt have revealed exceptions to this rule, but it is easy to understand why it was generally accepted by trade unionists as true.

"Having discovered" (continued Mr. Clynes) "that men could get by the application of numbers almost any demand that they agreed to present, they had naturally, since the conclusion of the War, desired to press and secure changes and conditions which a Labour man might admit would never have been entertained or considered before the War began."¹

This point was repeatedly emphasized by trade union leaders; Mr. Thomas told the House of Commons on 13 February, 1919, that "when the working classes are enabled to point out that they only get their demands by striking, it renders the position of those of us who stand for conciliation very difficult," and Mr. Bevin put the same point before the Court of Inquiry into the Dockers' Dispute in 1920. The feeling against non-unionists was sharpened by the belief that so long as union organization was not watertight, it was not possible to raise wages to the level which a complete monopoly of labour could secure.

(e) Industrial Unrest.

During the early months of 1919 some sections of the public were much alarmed by the prospect of an industrial upheaval on a quite unprecedented scale. The statement of *The Times* that "we are in the throes of a national crisis not less fateful, and in some respects more dangerous, than the War from which we have just emerged unscathed as a nation,"² however exaggerated it may be, reflects accurately enough a large section of the public opinion of the time. It is still difficult to estimate how far the demands of the leading trade unions were based on the desire for a thoroughly revolutionary reorganization of the basis of industry, and how far on the more immediate interests of greater leisure

¹ *Times*, 25 January, 1919.

² 8 February, 1919.

and higher wages, but many even of those who stoutly affirmed their belief in the sturdy common sense of the British working man had at the back of their minds a very lively dread of the influence in England of events in Russia, which had already been imitated more or less exactly in Germany and other central and eastern European countries. Some believed that "the weakness of the Government and the masters is the cause of a great deal of our social unrest,"¹ or that "the Government by its wicked pandering to Labour is responsible for very much of the industrial instability which handicaps our efforts at reconstruction,"² and accordingly advised the Government to "take off the velvet gloves they have worn too long."³ The precise details of such a stern policy were, however, seldom worked out. Sir Frederick Banbury (now Lord Banbury) was explicit enough in advising the repeal of the Trade Disputes Act,⁴ but most of those who demanded a stiff resistance to the demands of the unions were content with general exhortations that "we should rid ourselves of false sentiment," and not attempt "to meet the danger which now exists by meticulously examining the details of each dispute."⁵ But people were for the most part almost nervously anxious to placate this new industrial monster, which after all could scarcely be distinguished from the "people" as a whole, and concessions, whose supporters had previously been regarded as amiable but ineffective idealists, were now seriously discussed on all sides.

(f) The National Industrial Conference.

In circumstances such as these a Joint National Industrial Conference of representatives of employers' and workers' organizations was summoned on 27 February. The engineering industry had been much disturbed by disputes

¹ Letter from Major F. Kelley, M.P., *Times*, 31 January, 1919.

² *Syren and Shipping*, 11 June, 1919, p. 969.

³ Lord Claud Hamilton, Chairman of G.E.R., cit. *Times*, 8 February, 1919.

⁴ A Bill for the repeal of this Act and of the Trade Union Act of 1913 was introduced in June, 1919.

⁵ Letter from Professor E. V. Arnold, *Times*, 28 January, 1919.

arising out of the reduction of hours ; the miners had put forward a far-reaching programme, and the other members of the Triple Alliance were also demanding drastic changes in hours, wages and general working conditions, and though *The Times*, detecting a "desire to emulate Lenin and Trotsky," urged its readers, in the case of the strikes on the Clyde, not to "suppose for a moment that any sort of conciliation would put an end to the trouble,"¹ many began to search for some general plan of reconstruction which would avoid the dislocation which appeared to be inevitable if each industry were left to itself. There was a bewildering variety of remedies for the industrial troubles of the time, ranging from the "publicity" recommended by *The Times*,² compulsory profit-sharing,³ or a "little patience on both sides,"⁴ to "a new spirit," recommended by the Archbishop of York,⁵ "the propagation of sound Tory principles," Lord Willoughby de Broke's solution,⁶ "an organization of the middle classes to withstand the rapacity of the manual worker and the profiteer,"⁷ or "the removal of Government control from mines and every other industry."⁸ A few members of Parliament, not members of the Labour Party, of whom the most prominent was Lord Henry Bentinck, proposed that as a proof of the sincerity of the oft-repeated promises that a "better England" would result from the War, a Bill should be introduced to establish a statutory 44-hour week.⁹ On 11 February, Mr. Lloyd George announced in the House of Commons that the Government would welcome a general investigation into the causes of industrial unrest, and several industrial associations, including the Federation of British Industries, urged that a conference of employers and workpeople should be summoned for this purpose. On 17 February, the Government accepted

¹ 1 February, 1919.

² 13 February, 1919.

³ Mr. J. R. Remer, House of Commons, 13 February, 1919.

⁴ Lord Colwyn, House of Lords, 11 February, 1919.

⁵ House of Lords, 25 February, 1919.

⁶ House of Lords, 25 February, 1919.

⁷ Mr. Kennedy Jones, M.P., cit. *Times*, 4 March, 1919.

⁸ Earl Brassey, letter to *Times*, 3 February, 1919.

⁹ *Times*, 6 February, 1919. A 48-hour Bill was presented to the House of Commons by this group on 15 May, Bill No. 77.

this proposal, and invited representatives of employers' associations, Trade Unions, joint Industrial Councils, Trade Boards and similar bodies to attend. The precise form taken by the National Industrial Conference has been attributed to the influence of the National Alliance of Employers and Employed. There was some doubt in certain quarters concerning the objects of the Conference, the workers on the one hand seeing in it an attempt "to side-track the efforts of men and women who were struggling for better conditions at the moment,"¹ and the employers, on the other, fearful of a further extension of Government control in regions with which they believed themselves peculiarly well fitted to deal. It was accordingly urged that the functions of the Conference should be carefully defined, so that the members in their deliberations should not stray into dangerous territory. But the Government quite rightly preferred to leave the regulation of its work and its procedure entirely to the Conference itself, and no restrictions of any sort were imposed. Some 800 delegates (including two or three women) assembled on 27 February, 1919, constituting the most representative meeting of the interests involved in industry that had ever been seen in Great Britain. Such a body was obviously too large and unwieldy to pass even the most general and innocuous resolutions, and after some desultory and not very helpful discussion, in which Sir Robert Horne, the Minister of Labour, and Mr. Lloyd George joined, it was resolved to submit certain concrete problems to a smaller committee of sixty, thirty representatives of employers, and thirty of workers, to formulate positive proposals to be submitted later to the whole Conference.

The members of the Committee were appointed directly by the Conference, and not by the organizations which they represented. It was suggested after the failure of the Conference that they were therefore not in a position to speak with authority for their trade unions or employers' associations, but this objection was not raised at the time. To facilitate further the speedy presentation of recommend-

¹ Mr. E. Bevin, *Times*, 28 February, 1919.

ations, the Provisional Joint Committee divided itself into three sub-committees to whom were entrusted the questions of : (1) (a) the methods of negotiation between employers and trade unions, including the establishment of a permanent Industrial Council to advise the Government on industrial and economic questions with a view to maintaining industrial peace, (b) the method of dealing with war advances, (c) the methods of regulating wages for all classes of workers, by legal enactment or otherwise ; (2) the desirability of legislation for a maximum number of working hours and a minimum rate of wages per week ; (3) unemployment and the steps to be taken for its prevention and for the maintenance of the unemployed in those cases in which it is not prevented. The questions of output and the general causes of unrest were to be discussed by the whole committee on the basis of statements previously submitted by both sides. The importance of the work of the Committee, if Mr. Lloyd George was to be believed, could scarcely be exaggerated. " You may be doing more than settling the future of this country," he told the members, " you may be settling the future of civilization. You may be making a model for civilization, which all lands will turn to and say, ' Let us follow Britain,' " and with this inspiring prospect before them, they at once set to work, with the assistance of chairmen appointed by the Government. Public interest was for a time diverted by the first sittings of the Sankey Commission on the Mining Industry. During the latter part of March the demands of the railway unions shifted the point at which a general breakdown of industry was most feared, and though a settlement had been reached before the Committee presented its report to the full Conference on 4 April, the general industrial atmosphere was still electric.

The suspicion with which some trade unions had regarded the Industrial Conference had not been allayed by the assurances which had been offered, and some of the unions who had sent representatives to the first meeting refused to take part in the work of the Committee. The very important section of the trade union world organized in the Triple Alliance, the Amalgamated Society of Engineers

and the Iron and Steel Trades Federation, consequently played no part in determining the recommendations of the Committee, while on the employers' side the coal industry was not represented. Abstention did not in every case indicate hostility. Members of strongly organized unions, who believed that for their own industries adequate machinery already existed, might be as indifferent to the National Industrial Conference as they were to the Whitley Reports of the previous year. The objection of others was more fundamental, and was not removed by the presentation of the report; the Licensed Vehicle Workers' Union, for example, intended to submit to the National Transport Workers' Federation a resolution congratulating the Triple Alliance on remaining aloof from the Conference, and "affirming that no useful purpose could be served by such an assembly, unless and until the workers are assured of more democratic control of industry, with the object of ultimately eliminating rent, interest and profit."¹ But the recommendations of the Committee received the unanimous approval of a body which, in spite of serious gaps, represented a very large portion of the field of industry, and many of whose members have, both at that time and since, been prominent in business, in the trade union world and in Parliament. Their recommendations were on the whole favourably received everywhere, and it is therefore worth while to consider in some detail the industrial policy which was widely discussed at a time when it was difficult to combat the claims of labour.

(g) The Report of the Provisional Joint Committee.

The Committee recommended in the first place "the establishment by legal enactment of the principle of a maximum normal working week of 48 hours," with variations to suit special cases. Agreements between employers' organizations and trade unions for further reductions were to be made applicable to the whole trade, and systematic overtime was to be discouraged. This proposal was not left merely as the expression of a pious opinion, but detailed

¹ *Times*, 13 May, 1919.

provisions were suggested which would make the proposed Act as flexible as possible, and a few special points were left over for the consideration of the permanent National Industrial Conference, which it was expected would be established. The legal enforcement of agreements for the reduction of hours formed part of a more general problem, but the objections which might be raised against a general measure of enforcement were not so urgent here.

With respect to wages the Conference accepted the following recommendations: (1) The Wages (Temporary Regulation) Act was to be extended for a further period of six months; (2) Trade Boards should be extended among the less organized trades; (3) Minimum time rates of wages of universal applicability should be established by legal enactment, on the advice of a Commission, consisting of an equal number of representatives of Employers' Associations and trade unions, with a Government chairman, which was to report within three months; (4) Minimum time rates agreements between employers and trade unions should be made applicable to all employers engaged in the trade affected. Except for the Wages (Temporary Regulation) Act, no definite suggestions were made concerning war advances and bonuses, but it was recommended that trade conferences, or failing that the Interim Court of Arbitration, should consider further how these should be treated. The regulation of wages, in the narrow sense, was obviously more complicated than the regulation of hours, and for this reason the Committee contented itself in this section of its work with general resolutions. Some doubt was expressed at the time whether the Committee intended to recommend a uniform minimum throughout the country, or a minimum calculated independently for each industry, but a careful reading of the Report, where "time rates of wages" were invariably referred to in the plural, shows clearly that the distinction was fully appreciated by the members of the Committee, and that the latter alternative had been preferred.

The recommendation for the extension of Trade Boards called for administrative action only, as the Trade Boards Act of 1918 had already given the Government authority

to establish boards in "less organized trades." The extension of the Wages (Temporary Regulation) Act required legislative action, but though as late as 17 February Mr. Wardle, Parliamentary Secretary to the Ministry of Labour, had stated in the House of Commons that

"it is hoped that the freedom to negotiate upon wage matters which had been in a large measure restored to employers and employed will result in satisfactory wage arrangements of a permanent character being definitely established in each trade"

before the end of May, this was practically a non-contentious measure.

(h) Trade Union Recognition.

The Committee recommended that the basis of wage negotiations in the future should be "the full and frank acceptance of the employers' organizations on the one hand and trade unions on the other as the recognized organizations to speak and act on behalf of their members."¹ The prominent part already played by the powerful trade unions in the leading industries of the country might make this recommendation appear less revolutionary than it actually was, for even before the War the trade unions had gained a special position in legislation and in Government policy. But in spite of Sir William Mackenzie's statement that "the employer to-day who will not have dealings with trade unions is regarded in the nature of a prehistoric survival and occasions public amusement rather than sympathy,"² it is easy to overestimate the degree of willing acceptance with which the employers as a whole viewed the increasing activity of trade union officials. In certain industries, notably in cotton, there had long been full and frank co-operation between the organizations on both sides, and the consequences had been almost uniformly good. But in other important industries, e.g. railways, the question of "recognition" had been a burning one right up to the outbreak of the War. The necessity of securing the goodwill of trade unionists during the War had indeed forced the Government

¹ Cmd. 501/1919, p. 10.

² *Journal of Royal Society of Arts*, 11 May, 1923, p. 439.

to take action which strengthened and consolidated the position of all the unions. The Whitley Reports had been definitely based on the recognition and encouragement of trade organizations, and the members of the Government had frequently expressed their devotion to the principles of these reports. Sir Robert Horne told the National Industrial Conference on 4 April that "every thinking man recognized that trade unions were not only the bulwark of the wage-earners' defence, but they were the best guarantee of settled conditions in our industrial life to-day"¹; and in the case of the railways it was quite improbable that on resuming full control the companies would even attempt to refuse the recognition which the Government had freely given. But even at this time there was an effort to limit the scope of recognition; as late as July, 1919, it was reported that the management of the Great Northern Railway had for the first time acknowledged a communication from the executive of the National Union of Railwaymen, and considerable feeling was aroused by the refusal of the companies to recognize the right of the Railway Clerks' Association to negotiate on behalf of the stationmasters and other high-grade railway servants. Nor was the position of the smaller trades, about which much less appeared in the newspapers, necessarily the same as that of the great industries. It has been stated that "there is practically no group of employers who do not negotiate with trade unions, and whose industry is not covered by an industrial agreement to which trade unions are parties,"² but the truth is, as Professor Tillyard points out, that "the protection afforded by collective bargaining is by no means universal, and in some trades is non-existent, and even in well-organized trades is not nearly so complete as is commonly supposed"³; strikes caused by this very difficulty were not uncommon during 1919. The public testimonies of employers to the value of trade unions usually come from men of a progressive type of mind who are not always typical of their fellow-employers. The average

¹ *Times*, April 5, 1919.

² C. H. Northcott, *Industrial Management*, January, 1920, p. 65.

³ *The Worker and the State*, p. 32.

business man does not often write to the newspapers, and is inclined to regard attendance at industrial conferences as an unnecessary waste of valuable time. Such considerations justify some scepticism about any general statement describing the attitude of employers to trade unions, and casual remarks in private conversation confirm the view that there is still a strong feeling in some quarters against the organization of the workers. Cautious observers soon learn to be very slow in making general statements about public opinion, whether of a nation, a district, or a class. It might be argued that every statement purporting to represent "the general opinion of Englishmen" should be at once rejected, for such a statement often does little more than represent more or less accurately the opinion of the limited circle in which the speaker happens to move, and the task of describing the general opinion of employers is only less difficult than that of describing English public opinion as a whole. Employers who admitted the desirability, or at least the necessity of trade unions, were often in favour of giving them a legal status which would make them responsible for the acts of their officials. "The association of workmen for the betterment of their conditions, or to resist oppression, or to remedy grievances, cannot be prevented, nor is it desirable that it should be," one employer had said in 1911. "It is a serious question," he continued, "whether the law should not take cognizance of the union to the extent of requiring its recognition by an employer in the event of a dispute."¹ That such a proposal might limit the powers of a trade union is not, of course, a sufficient ground for rejecting it, but it was certainly intended to contract rather than to expand the sphere of trade union influence.

Much of the evidence given before the Cave Committee, which inquired into the effects of the Trade Boards Acts in 1922, showed that in trades where organization has so far been weak, precisely the same objections are raised to its extension as were raised during the last century in trades

¹ A. Maurice Low, "Attitude of Employing Interests towards Conciliation and Arbitration in Great Britain." United States Bureau of Labour, *Bulletin* No. 98, January, 1912, p. 167.

where unions are now well established and fully recognized as essential parts of the machinery of industry. And in spite of the useful training in co-operation with workers' organizations which the policy of the War made inevitable, the farmers as a whole had, in many parts of the country, never ceased to regard the interference of union organizers as something unnatural, if not positively immoral. Even where unions were recognized, the necessity for their existence was only regretfully admitted. As one member of Parliament put it, "if the employers of labour had done their duty in the past, trade unions would never have existed,"¹ and schemes for profit-sharing were sometimes quite frankly supported on the ground that employees whose interests were bound up in such a scheme would be less anxious to join a union—a fact which in itself is sufficient to explain the hostility of trade unions to profit-sharing in general. The Secretary of the Workers' Side of the Grocery and Provisions Trade Board for England and Wales was substantially correct in ascribing the opposition to trade boards in that industry to the fact that "in distribution a goodly number of employers are about a century behind employers in production from the point of view of accepting collective bargaining. It is something new to them and they do not like it."² It was said of the same trade in Scotland that "few of [the employers] had ever seen, or had any dealings with, any trade union official,"³ and it was argued that the fact "that 'no adequate machinery for the effective regulation of wages exists, . . . is in itself the best and strongest evidence that the necessity for it had never been felt.'"⁴ So little was the real basis of trade unionism understood that it was submitted that

"the fact that of the 60,000 employees in the trade in Scotland not more than 10,000 are in the unions is further evidence that the conditions of their employment generally are not such as to give rise to any acute feeling of discontent."

Ardent supporters of trade unionism sometimes err on the other side in regarding a union as an end in itself, but there

¹ Mr. J. R. Remer, House of Commons, 13 February, 1919.

² *Minutes of Evidence*, J. R. Leslie, Question 7520, p. 535.

³ *Ibid.*, p. 977.

⁴ *Ibid.*, p. 978.

are many more reasonable positions which may be held between this and the view that a union is a necessary evil. On this subject the reports of the European Commission of the National Industrial Conference Board, an organization of Boston employers, which visited Europe during March, April, and May, 1919, are instructive, particularly as their investigations synchronized almost exactly with the report of the National Industrial Conference in London. It is, of course, improbable that in such a short time (their work extended to France and Italy as well as to Great Britain) the Commission could get an absolutely accurate picture of the general outlook of the British employer, but they were able to consult many sections of business opinion which seldom find expression in the Press. They certainly discovered that trade union organization was much more often regarded as a matter of course in Great Britain than in the United States, and that many employers were emphatic about its value. "Employers' federations were in constant negotiation with trade unions and had a complete scheme for collective bargaining," they reported, but

"contrary to some reports that have come to this country, much evidence was given to us that British employers were not all in favour of complete unionization of their workers. . . . There was no general desire on the part of employers to encourage organization of unions. On the contrary, many strongly advised American producers to oppose this tendency. . . . They did not favour a development of labour unionism as such because of the practical difficulties in securing a conservative attitude of mind among labour leaders. They would welcome and co-operate, however, with a more moderate and conservative unionism."¹

The lesson which the Committee drew for the United States from the experience of Great Britain and Italy was that employers should adopt a conciliatory industrial policy with a view to weakening the motives in favour of "radical" labour organization. "The study of British conditions," they reported, "convinced us that the remedy for industrial discontent was not to be found in the complete inclusion of all labourers in the unions."² Most people would no

¹ *Interim Report of the European Commission of the National Industrial Conference Board*, pp. 16, 28.

² *Interim Report*, p. 32.

doubt be willing to assent to this, but the Commission goes farther and maintains that "with the present known attitude of labour leaders, a thorough organization of all workers would only mean handing over to them a greater power for radical action and for the eventual destruction of orderly government," and what is more relevant to our subject, that "many British employers realize this to be the issue." Several interesting quotations are given from statements by representative employers; "keep clear of union conditions as long as physically possible," said one; "keep away from collective bargaining," said another, "or any other move that would facilitate unionization"; or "we do not advise collective bargaining, because it is a constant source of annoyance and many petty matters are brought in which would otherwise be forgotten."¹ It is clear that many British employers spoke much more frankly to the members of the Commission than is the custom of their spokesmen in the Press, and though these investigators would naturally tend to see more of the class of employer who was hostile to, or at least suspicious of unionism, than of the other type, which has made some sort of attempt at working out a philosophy of industry, a composite picture of the opinion of employers generally must include both streams of thought. It would be unfair to suggest that the views emphasized by these reports are necessarily more representative than those which appear to underlie the report of the National Industrial Conference. The Commission itself pointed out that "the principle of organization versus organization seems to be well established,"² but this fact is so often given excessive prominence that it seems worth while to stress the other point of view as well.

(i) A Permanent Industrial Conference.

In recommending the establishment of a permanent National Industrial Conference "to consider and advise the Government on national industrial questions,"³ the report

¹ *Problems of Labour and Industry in Great Britain, France, and Italy*, p. 87.

² *Problems of Labour and Industry*, p. 91.

³ Cmd. 501/1919, p. 15.

of the Conference gave trade unions a still more definite place in the machinery of the State. The Committee, anxious to forestall the criticism that such a Council would mean the supersession of existing agencies for negotiation, which were already functioning satisfactorily, was careful to explain that its functions would be merely advisory, and its object "to supplement and co-ordinate the existing sectional machinery by bringing together the knowledge and experience of all sections and focussing them upon the problems that affect industrial relations as a whole."¹ Englishmen have frequently been suspicious of proposals to replace existing machinery by something better, and to ensure a smooth passage for reforms, Governments have sometimes been compelled to retain older institutions which have outlived their usefulness. The Conciliation Act of 1896, for instance, is unrepealed, although every useful purpose which it had is equally well served by the Industrial Courts Act of 1919. Even after the careful explanation of the functions of the proposed National Industrial Conference, the objection was raised that

"the establishment of an industrial parliament on a basis of direct representation would be a Government breach of faith with the Whitley Councils, since it had been promised that they would be regarded as the normal channels of communication between their industries and the Government."²

The National Industrial Conference was to consist of 400 members, 200 elected and duly accredited by the employers' organizations, and 200 by the trade unions; the Government was to

"recognize it as the official consultative authority to the Government upon industrial relations, and make it the normal channel through which the opinion and experience of industry will be sought in all questions with which industry as a whole is concerned."³

The Minister of Labour was to be the President of the Council, and a Standing Committee of twenty-five members

¹ *Ibid.*, p. 12.

² E. J. P. Benn, cit. *Problems of Labour and Industry*, p. 270.

³ Cmd. 501/1919, p. 12.

from each side was to carry on the detailed work of the Council, meeting as occasion demanded, and at least once a month. Details of the procedure of election, and in particular a scheme of trade union representation were included in the report. The members of the Conference clearly attached great importance to this section of their recommendations, and looked to the permanent Conference to consider more carefully the questions which lack of time had compelled them to neglect. Suggestions were put forward for the prevention of unemployment and the maintenance of the unemployed, but the wider questions which unemployment raised had for the most part to be left on one side, together with the problems of output and production.

The idea of such a body as was here outlined was not indeed entirely new, though it had received a marked impetus from the partial acceptance of the principles underlying the Whitley Reports. But it had never before received such an authoritative expression as was given to it by the Conference's Report. In 1911 an Industrial Council had been appointed on lines somewhat similar to those now proposed for the new body; it was primarily intended to make a more effective appeal to conflicting industrial interests than did the Board of Trade, which was inevitably suspected either of political bias, or of trying to influence votes. Its members included some of the principal leaders of industry on both sides, under the chairmanship of Sir George Askwith, who was appointed Chief Industrial Commissioner. It might indeed be argued that the members of the Council were too deeply immersed in the affairs of industry to be able to spare the time for the almost continuous work of conciliation and mediation, which the task of settling industrial disputes involved. Certainly the Council disappointed the high hopes which had been cherished in some quarters. Askwith himself believed that the idea had been brought forward a little too early. It was "imposed as an act of the Government and not by the growth of an idea among the parties principally concerned."¹ It might be represented as a piece of Government interference, and at

¹ *Industrial Problems and Disputes*, pp. 180-1.

that time the mere suggestion of Government interference was sufficient in many quarters to damn any such scheme. Even at the first meeting of the Conference, Sir Allan Smith declared that "if only the Government would leave them alone they were far better able to settle their differences than any outside agencies."¹ The Government was not bound to accept the report of the Council of 1911 on any dispute that was referred to it, and after the industrial crisis of that year had passed, the whole idea was quietly dropped. The Council was not formally abolished, but no attempt was made to maintain its effective existence, although in the years immediately following industrial conditions were scarcely less threatening than in 1911. Sir Charles Macara, who had suggested the Council in the first place, took every opportunity of deploring the obtuseness of the Government in refusing to make use of such a valuable instrument, but the idea did not arouse any general interest. During the War, however, people became more favourable to the idea of industrial councils, and it was hoped that a scheme which emanated, not from the Government, but from the leaders of industry, and made provision for a Committee of a more efficient type than the Council of 1911, might be more successful.

But although there are precedents for all of the recommendations of the Committee, they would, if carried into effect, have involved a definite breach with the traditions of British industry. In drafting labour legislation British statesmen have always been reluctant to formulate general principles, preferring as a rule to deal with special cases as they arose. The hours of male workers in general, for example, had never been limited by legislation, and except in some special cases, where special reasons for limitation had been brought forward, the hours actually worked depended either on trade union agreements or on the inconvenience of having men and women working together at different hours in the same establishment. In many cases the workers' representatives were as strongly opposed to Government interference as were their employers, pre-

¹ *Times*, 28 February, 1919.

ferring to rely on the strength of their own organizations. As one of them put it, "We don't want outsiders to meddle with our affairs; they don't understand and can't be made to understand what we want, nor how we feel."¹ Government regulation was feared as likely to weaken the motives for organization, and the early Trade Board movement was much more vigorously pushed by outside enthusiasts than by trade unions. Even with the extension of the Trade Boards which followed the Act of 1918, most people still felt that interference with wages could be justified only by very special circumstances. The acceptance of the recommendations of the Conference would have meant not only a complete recasting of Government policy in relation to industry, but also a new theory of legislation. The Wages (Temporary Regulation) Act, and, as we shall see later, the Industrial Courts Act, had been drafted with the assistance of industrial organizations; the new Industrial Conference might be expected to perform a similar office for its recommendations, and the Joint Committee did in fact draft an Hours of Labour Bill. In industrial regulation the State was tending towards the more extended use of specialist or functional bodies. An attempt was made to avoid barren controversy in Parliament by the presentation of agreed measures on industrial subjects, e.g. the Restoration of Pre-War Practices Bill of June, 1919, which by this means could be raised above purely party considerations. The establishment of a National Industrial Council, even with merely advisory powers, was calculated to accelerate this process, and incidentally to relieve the growing pressure upon the time of the House of Commons.

(j) Government Attitude to the Report.

The report of the National Industrial Conference, described by Sir Robert Horne as "the most momentous document which had been presented to the country in a

¹ A. E. Holden, "Attitude of Labour towards Conciliation and Arbitration in Great Britain." United States Bureau of Labour, *Bulletin* No. 8, January, 1912.

² Cf. C. Delisle Burns, *Government and Industry*, p. 99.

long number of years,"¹ was received with general if cautious approval. Many trade unionists undoubtedly expected that there would be some definite gain as a result of the labours of the Conference, and had agreed to take part in them because of that belief. Mr. Clynes stated that "prospects were never brighter for working-class progress if the opportunity were used with care and with a due regard to national interests as well as working-class interests,"² while Mr. Thomas declared that "the report was a landmark in industrial history, a stepping-stone to something greater."³ Sir Robert Horne had informed the Conference at the outset that the Government had no prejudice against fixing a national minimum wage, and though he added that the varying conditions of trade were arguments against it, many others had expressed their belief that some such scheme was both desirable and practicable. With regard to hours, the Government position was not so clear. Sir Robert Horne had also disclaimed any prejudice against legislating to fix hours, but in pointing out the difficulties, he suggested that trade agreements were preferable to State interference. A few days before the first meeting of the Conference, a deputation from the Scottish Trades Union Congress Parliamentary Committee had been received by Sir David Shackleton, an official of the Ministry of Labour who had had long experience as a trade union official in the cotton industry. He explained that the Government not only held that "it is impossible to have anything in the nature of a uniform system. There must be some variation of hours according to the needs and conditions of the different trades concerned," a view quite consistent with the recommendations of the Joint Committee, but also believed that the question of hours was "a matter which must be decided by the trades concerned." But after the profound and continuous silence which was maintained after Mr. Winston Churchill's casual reference to the nationalization of the railways during the election campaign, no one was quite certain how far the announcements of leading Civil Servants,

¹ *Times*, 5 April, 1919.

² *Times*, 31 March, 1919.

³ *Times*, 5 April, 1919.

or even of Cabinet Ministers, correctly represented the mind of the Government as a whole.

The Times declared that "it is difficult to conceive that the Government could do otherwise than follow the lead of a body of so extraordinary a responsibility,"—whatever that might mean—"and it may be taken for granted that the Minister of Labour will announce, if the report is accepted, that the Government will give effect to it without delay,"¹ and Mr. Lloyd George sent a letter to the Conference promising that "if the recommendations of the Committee receive the approval of the Conference, the Government will give them their immediate and sympathetic consideration."² Many members of the Conference, especially on the trade union side, thought that this was a reversal of the proper order of events. As Mr. Henderson put it, "it was not sympathy they wanted, but Acts of Parliament," and a resolution was unanimously carried agreeing to submit the report for the acceptance of the organizations represented at the Conference "immediately the Government officially declares their readiness to proceed at once with the legal and other steps necessary to carry the report into effect," the Provisional Joint Committee to remain in existence in the meantime. In fact there was considerable delay in announcing the Government policy; the Prime Minister was absorbed by the important negotiations in Paris, and in view of the extremely important principles involved in the Report, it might appear unfair to criticize the delay, though later events gave some colour to the imputation that the Government wished merely to gain time. The Ministry of Labour was, however, understood to be drafting Bills for a forty-eight-hour week and a national minimum wage, which were to be presented to the Prime Minister on his return from Paris, the Association of Chambers of Commerce gave the permanent Industrial Council its approval, and at last, on 1 May, Sir Robert Horne was able to read to the Committee a letter from Mr. Lloyd George, stating that

¹ 27 March, 1919.

² *Times*, 5 April, 1919.

"though I cannot commit myself to every detail, as many of them are complex and technical, I may say at once that I fully accept in principle your recommendations as to the fixing of maximum hours and minimum rates of wages. . . . I accept the principle that minimum rates of wages should in all industries be made applicable by law. The question" (he added) "of the best method of doing this is complex and full of difficulties."¹

A Bill, it was stated, was already being drafted for introduction at an early date, including provisions to meet the special circumstances of particular industries, agricultural workers, domestic servants and seamen being mentioned by name. And it was further agreed that the most fruitful method of attacking the minimum wage question was "to set up a Commission with wide terms of reference to report on the whole matter."² With regard to the third important matter raised by the Committee's report, Mr. Lloyd George wrote, "I cordially welcome your proposal to set up a National Council, and hope that you will take steps to bring it into being as quickly as possible,"³ but the framers of the report had had in mind something more definite than this attitude of benevolent neutrality as the Government's contribution to the scheme. Now that the approval of the Government had been given to their more specific proposals, the Committee resolved to adjourn for further detailed and separate consideration by both sides. In the meantime the report was to be submitted to the organizations represented at the Conference.

(k) Minimum Wage and Hours Bills.

Drafts of two Bills dealing with hours and with minimum wages were laid before the meeting of the Provisional Joint Committee at the end of May, and negotiation and discussion continued for some time. Some minor amendments were agreed to, but the difficulty created by the Government proposal to exclude certain classes of labour, in particular agriculture, from the Hours of Employment Bill was more formidable, and until it was removed it was impossible to proceed with the permanent Industrial

¹ Cd. 221/1919, p. 42.

² *Ibid.*

³ *Ibid.*, p. 43.

Council. The Bills were introduced into the House of Commons on 18 August, just before the adjournment.

“These measures” (said Mr. Lloyd George) “are the most important measures dealing with Labour problems which have ever been submitted to the judgment of this House. An opportunity will be given during the vacation for employers and workmen to examine them thoroughly, and by the time the House resumes they will be in a position to give their opinion upon the provisions.”

The Minimum Rates of Wages Commission Bill followed the recommendations of the National Industrial Conference in establishing a Commission for “inquiring into and deciding what minimum time rates of wages should be paid, regard being had to the cost of living in the various districts, and any other matters which appear to the Commissions relevant.” Provision was made for granting exemptions to infirm workers and in other exceptional cases. The general effect of the Bill would be virtually to universalize the Trade Boards Act, but the Commissions could not on their own responsibility fix a minimum wage, their functions being limited to recommendation. The Hours of Employment Bill established a statutory working week of forty-eight hours, and gave the Minister of Labour power to prescribe any other working week which might be recommended by agreement between workers’ and employers’ organizations. Agreements for working overtime were to be registered, and at least 25 per cent. in excess of normal time rates paid for such work. Variations or exemptions might also be ordered by the Minister, on the application of any of the persons concerned. The final authority for the application of the Act was indeed in each case left in the hands of the Minister, an attempt being thus made to leave the new statute as flexible as possible. Groups of workers definitely excluded from the Act were domestic and outdoor servants, “persons holding responsible positions of supervision or management, who are not usually employed in manual labour,” seamen, agricultural labourers, and members of the police force. The Bill was to apply not only to factories and workshops, but also to

shops and commercial undertakings, a point which had been left in some obscurity in the original report. The reasons given for the exclusion of agriculture were the existence of a Royal Commission on Agriculture, which was inquiring into all the conditions of the industry, and to the fact that the Agricultural Wages Board, whose members were direct representatives of the industry, had already fixed the working week at fifty hours. But the members of that Commission had already protested against the inclusion of hours in the terms of reference, while the trade union side of the Provisional Joint Committee argued that the wider recommendations of their report had been approved by the employers' representatives, including a member of the National Farmers' Union, and secured at this time a renewed expression from the employers' side of the Committee of their willingness to include agriculture in the Bill. There was at this time a specially urgent need for an authoritative body to lay down principles of wage settlement, which would co-ordinate the chaotic negotiations of individual industries, each fearful of the effects their own agreements would have elsewhere, and it was felt that the Government should have been more ready to meet the trade union view on this point so as to accelerate the formation of the permanent Industrial Council. The inclusion of agriculture in the Bill did not, as some agriculturists seemed to think, mean the application of a rigid and unvarying standard to an industry for which it was quite unsuited. The administration of the Act was in the hands of the Minister, and on good cause being shown, he had full authority to issue exemptions, either temporary or permanent, as well as to authorize overtime. "The difference between exempting agriculture from a Bill and giving it by the Bill the right to prove its exemption necessary"¹ was not sufficient to risk the complete ruin of the National Industrial Conference scheme. The case of the seamen, as well as of other exempted classes of workers, also caused some difficulty, but the Government refused to accept the suggestion that the question should be discussed with representatives of

¹ *Manchester Guardian*, 21 October, 1919.

seamen's organizations. It was announced later that there was no hope of either of the Bills being considered before 1920, and the session closed without any Parliamentary debate on "the most important measures dealing with Labour problems which have ever been submitted to the judgment of this House."

(I) **The Failure of the National Industrial Conference.**

The King's Speech at the beginning of the next session, on 10 February, 1920, announced that the two Bills would be reintroduced at an early date, and the negotiations with regard to the Hours Bill continued spasmodically for some time. But little or no progress was made. Questions were sometimes asked in the House about the introduction of the Minimum Rates of Wages Commission Bill, but although the Government would not admit that it had been abandoned and explicitly denied that the extensions of the Trade Board system, which were still taking place, were to be regarded as equivalent to carrying out the Government pledges on this subject, the answers made it more and more difficult to believe that this was not the case. The Hours of Employment Bill, about the inclusion of agriculture in which the Joint Committee is said ultimately to have agreed,¹ excited greater interest, and on at least ten occasions during the year it was announced by a member of the Government that it was hoped that the measure would be introduced "shortly" or "at an early date." In spite of these repeated assurances, the experiment of the National Industrial Conference could, by the end of the year, be safely described as a total failure. Even had the recommendations of the Committee been carried out during 1921, the goodwill which had greeted its early work had largely evaporated, nor would it have been an easy matter to recreate it. One or two of the minor recommendations of the Committee had been made effective, but these proposals would certainly have been carried out even had the National Industrial Conference never been thought of. The major recommendations were, without exception, ignored.

¹ Ramsay Muir, *Weekly Westminster*, 12 January, 1924, p. 338.

The points of view of the parties directly interested changed so rapidly in sympathy with the rapid changes in the industrial situation that it is not easy to decide the exact point where responsibility for this failure is to be placed. An important section of the workers had all along refused to co-operate with the Conference—"when the Government called the Industrial Conference together, there were many who thought that it was merely a device to gain time in a serious industrial crisis, and that there would be no practical result from its deliberations"¹—and this section was now able to point to its failure as justifying their suspicions. In some quarters indeed it was maintained that co-operation with the Conference was a positive mistake, which weakened the chances of the working-class movement achieving its wider aims. As a Labour Research Department publication puts it,² "the entry of Labour into the National Industrial Conference and into the Coal Commission was the determining factor in tiding over the critical industrial situation of the first part of 1919," and in putting the matter thus, the writer clearly does not regard "the definite cessation of the immediate Labour defensive," which according to him was marked by the acceptance of the first Sankey Report, as a matter for congratulation. Trade unionists did not usually show that enthusiasm for schemes intended to encourage a feeling of common interest between employers and employed, which the supporters of such schemes—who were often not directly connected with industry—would have liked, but the Scottish delegates at a conference of the National Union of Clerks, who in opposing a resolution in favour of Whitley Councils maintained that "it was impossible and even undesirable to create permanently good relations between employers and employed,"³ were more definitely hostile than the main body of trade unionists. It was, of course, perfectly true that the proposals of the Committee would not "go to the root of the trouble," and the *Economist* praised the trade union

¹ *New Statesman*, 21 June, 1919, p. 277.

² *Workers' Register of Capital and Labour*, p. 18.

³ *Manchester Guardian*, 9 June, 1919.

Appendix to the Report for the merit of insisting "that nothing short of a thorough investigation and overhauling of the industrial system can give us industrial peace. . . . A new situation has arisen which calls for new and far-reaching departures in industrial organization"¹; but while most trade unionists were agreed that the National Industrial Conference was not enough, the lukewarmness or hostility of Labour was not the cause of its failure. It is true that in the circumstances of 1919 neither of the Bills embodying the recommendations of the Committee was "likely to bring any direct or immediate benefit to the majority of the working population."² Employers were eager to take advantage of the trade boom, and were therefore willing to meet the demands of trade unions even in industries where organization had been weak before the war. Already, "apart from mere compensation for increased cost of living, the worker's main achievement during the war" had been "to redeem large tracts of industry from the area of unregulated and 'sweated' trades."³ But though for many important trades the Hours Bill would merely give legislative sanction to a *fait accompli*, while it was in the highest degree improbable that any minimum wage commission would grant wages of general application which would be as high as those already gained through the ordinary channels of negotiation, there were still many sections of the industrial field where the workers were ill equipped to protect themselves, and an Act of Parliament was not to be despised even by the strongest union as a protection when business was depressed. It was felt that the Committee's proposals provided a lasting foundation on which more immediately practical reform could be built.

"Important as the legal enactment of the forty-eight-hour week and the living wage is, it will by itself do little or nothing to remove the causes of labour unrest. It will only afford a basis on

¹ 29 March, 1919, p. 509.

² *New Statesman*, 21 June, 1919, p. 277.

³ *Wages, Prices, and Profits* (Labour Research Dept.), p. 16.

which Trade Union and political action can begin to build a firm superstructure.”¹

The general attitude of the employers was less definite than that which we have just described. The later career of some of those who were directly responsible for the preparation of the report puts serious difficulties in the way of reconciling their actions in 1921 and 1922 with their adherence to the report of 1919, and the thoroughness of the recasting which the employing interests secured for the Government's Ways and Communications Bill, as well as their obvious influence in the treatment of the Sankey Report and elsewhere,² lends colour to the suggestion that the Government was merely carrying out a policy dictated by them. But to find here evidence of a deep-laid plot on the part of employers generally to ruin trade union organization by diverting its attention when circumstances were most favourable to its activity would be to flatter the employers that they possess a much more highly developed foresight than is actually the case. There were some expressions of uneasiness about the “concessions,” as employers would describe them, which were to be made to labour, but a determined Government would not have been seriously hampered by the opposition of employers in giving legislative sanction to these concessions.

The influences which lead to the abandonment of legislation are, of course, seldom brought clearly into the light, and the facts are not inconsistent with the view which will be preferred by those who see in the Federation of British Industries the Bluebeard of British politics, that the Government was merely a passive instrument in the hands of the employers. The picture of high-minded employers, anxious to establish an eight-hour day and a minimum wage, but held in restraint by a callous and designing Government, would be scarcely more fantastic and remote from the truth than a picture of hard-headed employers consciously planning a scheme which would amuse the workers at a

¹ *New Statesman*, 21 June, 1919, p. 278.

² Cf. Labour Research Department, *Federation of British Industries*, esp. Chap. II.

time when they might with good hopes of success have been fighting for a radical reorganization of industry. Some employers, holding that the Committee on Production had accelerated the advance of wages during the War, claimed that the Government should itself undertake the task of reducing wages to a more convenient level. One expression of this view in connection with the Interim Court of Arbitration cases of June, 1919, attracted considerable attention. It was explained in the journal *Syren and Shipping* on 11 June, that even during the War when increases in wages were paid by the Government, shipbuilders "looked forward with no small degree of apprehension to the time when they would have to make the first move for the reduction of costs."¹ They felt that they might "as well initiate now, while there is a Government Court of Arbitration, the process of trying to cut down what previous Government Courts built up." By beginning the process now "they throw on the State the onus of retracing its steps, and they also retain the power of the State as a steadying influence in all dealings with the trade unions." The writer was indeed not well informed concerning the powers of the Interim Court, for he believed that "technically the State still has all its war-time power to put its foot down heavily on stoppages of work, and to insist that the awards of its Court of Arbitration shall be accepted without question." Actually there was no authority to enforce the awards of the Court, but this point is less important than the open declaration that "the inevitable struggle is about to begin, and that a stand is to be made by the employers for lower labour costs."

Most of the active responsibility for the failure of the National Industrial Conference must, however, be taken by the Government. As *The Times* observed when the report was first published, "the heaviest responsibility lies on the Government, for it is in their power not only to give a tangible earnest of their good faith, but to keep the employers 'up to the scratch.'"² Or as Mr. Henderson put it at the same time, "the pivot was the action, or failure to take

¹ P. 985.

² Labour Correspondent, 5 April, 1919.

action, on the part of the Government." The Government is, of course, always a convenient scapegoat, and even those who have been responsible for its creation do not hesitate to use it in this capacity. But in this, as in some other matters, a bold lead from the Government would have made possible a valuable and permanent conclusion to a work on which much thought and energy had been expended.

The responsibility of the Government cannot be lessened by pleading that the proposals of the Conference were themselves intrinsically unsound. The whole question of a minimum wage, however carefully safeguarded, is still one upon which debate is active ; but the Government made no attempt to show that the proposals were unsound. Whenever they were mentioned, they were, on the contrary, approved, at least in principle, and they were finally allowed to disappear without any serious attempt to explain the grounds of their rejection. A greater contrast could scarcely be imagined than that between "the most momentous document which had been presented to the country in a long series of years," "the most important step ever taken in respect of the relations of employers and employed" ¹ of April, 1919, and its complete neglect by its official sponsors in 1920. Sir Robert Horne could not have reiterated in 1920 his optimistic belief that "the whole spirit of the world had changed. Employers were prepared to meet their men in an entirely new attitude of mind." ²

The interpretation of the episode suggested by the National Industrial Conference Board of Boston in November, 1919, is not in essentials different from that of the writer in the *Workers' Register of Capital and Labour*, though the two points of view are obviously quite different. "It is clear," they say, "that for a brief breathing space the Government averted a crisis; the Industrial Conference held the centre of the stage for a time, fulfilling the demand for doing something," ³ but, as in the Profiteering Bill of August, 1919, also introduced to meet the general view that

¹ E. Manville, M.P., President of Association of Chambers of Commerce, cit. *Times*, 16 April, 1919.

² *Times*, 13 March, 1919.

³ *Problems of Labour and Industry*, etc., p. 271.

"something ought to be done," it is difficult, even when all allowances have been made for the extraordinary difficulties of the time, and the large number of pressing problems before the Government, to believe that there was ever any serious intention of grappling in any radical way with industrial reform; or, if such intention had at one time existed, the plea made by Mr. Henderson when the report was first presented that "the spirit that had characterized the setting up of the report" should be "continued until it had been given effect to," was certainly not listened to. Sir Allan Smith told the Conference on 4 April that it "was really one of the main causes of the country having been able to get over the troublous times of the last month," and though both employers and employed had hoped for some more permanent result from their labours, the Government was apparently content with this merely temporary gain.

"The Industrial Council was a very convenient mechanism for easing off the urgency of the demands of labour. . . . It was a new device, carrying with it the suggestion of a Soviet domesticated and made into a useful animal, and inspiring large but vague hopes for the progress of industry under the enlightened joint committee of employers and employed. The Council, therefore, served to tide over a difficult time, and having done its work, may now descend into limbo."¹

The careful and valuable work which had been put into its reports went for nothing, and the only certain result was the definite disappearance of the conference idea from industry. It would be long before any union would agree to take part again in such an experiment, while the employers' attitude stiffened as soon as the depression shifted the balance of economic power.

¹ *Manchester Guardian*, 21 October, 1919. The *Manchester Guardian* was unwilling to accept this view.

CHAPTER V

INTERNATIONAL LABOUR LEGISLATION

(a) Labour Clauses of the Treaty of Versailles.

THE general state of opinion during 1919 may be further illustrated by reference to the Labour clauses of the Treaty of Versailles (especially Art. 427), and the establishment of the International Labour Office at Geneva. The plea of foreign competition had been raised in England almost as frequently as the demand for industrial reform; though experience had often shown that there was no justification for the fear that ill-treated and sweated labour was able to compete successfully with more efficient workmen elsewhere, the plea was still raised, and trade unionists began to regard it as part of the normal procedure of collective bargaining. But though the once incredible theory that the highest paid labour was usually the cheapest was now widely accepted, it was unsafe to deny altogether the possibility of foreign competition becoming dangerous as a result of improved labour conditions at home. This was especially clear in the case of reduced hours, which, even if they did not damage output in the long run, often did not show their full compensatory effects for some time, and this fact was fully recognized by some of the trade union leaders.¹ A similar plea was generally recognized as having considerable force in cases where employers were engaged in competition within the same country, and even where the fear of "unfair competition" was exaggerated, it was obviously desirable that even the *prima facie* case for such complaints

¹ Cf. remarks of Mr. Brownlie, of the Amalgamated Society of Engineers, at the National Industrial Conference, and of others who asked for international regulation of hours. *Times*, 28 February, 1919.

should be destroyed. In view of this and of other important considerations with which we are not here concerned, President Wilson had laid down as the third of his Fourteen Points "the removal as far as possible of all economic barriers, and the establishment of an equality of trade conditions among all the nations consenting to peace," and many people felt that a Peace Conference which was to organize a New World should not neglect the claims of the industrial worker. In Great Britain and elsewhere promises that industrial conditions should be reformed had been freely made by recruiting orators, and there was a widespread demand that the interests of labour should be directly represented at the Peace Conference. There were thus two motives co-operating to induce the Conference to appoint a commission to consider industrial questions, on the one hand, a general, if vague, humanitarian feeling—

"Universal peace . . . can be established only if it is based upon social justice ; and . . . conditions of labour exist involving such injustice, hardship, and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled"—

and on the other, a desire on the part of the more advanced nations to protect themselves against the "unfair" competition of the others—"the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own country."¹ A draft Convention was submitted by the British delegates to the Commission, whose chairman was Mr. Samuel Gompers, and with some amendments this was presented to the plenary session of the Conference on 11 April. This Convention is now embodied in Part XIII of the Treaty of Versailles (Articles 387 to 427). These articles set up an International Labour Office, which was to convene a General Labour Conference at least once a year, and are concerned almost entirely with the machinery of the Office and the Annual Conferences. But in Art. 427

¹ Preamble to Part XIII of the Treaty of Versailles.

the signatories to the Treaty laid down, as "of special and urgent importance," nine

"methods and principles for regulating labour conditions which all industrial communities should endeavour to apply, so far as their special circumstances will permit. . . . Without claiming that these methods and principles are either complete or final, the High Contracting Parties are of opinion that they are well fitted to guide the policy of the League of Nations ; and that, if adopted by the industrial communities who are members of the League, and safeguarded in practice by an adequate system of inspection, they will confer lasting benefits upon the wage-earners of the world."

The following principles are of special interest for us, as comparable with the proposals of the English Industrial Conference : (1) "labour should not be regarded merely as a commodity or article of commerce" ; (2) "the right of association for all lawful purposes by the employed as well as by the employers" ; (3) "the payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country" ; (4) "the adoption of an eight-hour day or a forty-eight-hour week as the standard to be aimed at where it has not already been attained" ; (5) "the principle that men and women should receive equal remuneration for work of equal value." It is stated that while the machinery of the International Labour Office was largely the creation of the British members of the Labour Commission, the article in which the general principles appear bears obvious marks of American influence¹; the first of the principles quoted above often has in an American context associations quite different from those which it suggests to English ears. Denunciations of the practice of regarding labour as a commodity are in England usually made by people who are clamouring for the abolition of the wage system, or else the milder statement that labour should not be regarded *merely* as a commodity is used by people agitating for a minimum wage in special cases. There is an uneasy feeling that the fixation of a minimum wage may be contrary to economic law, and accordingly the demand is made that labour shall

¹ David H. Miller, *International Relations of Labour*, p. 32.

be placed within a category to which presumably economic laws do not apply. Few people see any objection to speaking of regulation for non-economic reasons of "many matters which, according to the pure principles of political economy, ought to be left to the action of the laws of supply and demand."¹ The "quite baseless prepossession . . . that all interference with so-called 'free competition' is a violation (though very likely fully justified) of economic laws has," as Mr. H. S. Henderson observes, "sunk deep into our common thought."² Anyone who is familiar with English discussions of labour as a commodity will, on turning to American publications, receive a useful reminder of the dangers which beset those who attempt to discuss the industrial conditions of countries of which they have no first-hand knowledge. Here the discussion is often not economic at all, nor even humanitarian, but strictly legal.³ The first principle in Article 427 of the Peace Treaty is in fact almost a repetition of the language of the Clayton Act, which it was hoped, in denying that labour was a commodity, would exempt those who controlled the sale of labour, the trade unions, from the penalties of anti-trust legislation, which was being used to hamper trade union activities. The English implication of the phrase is also sometimes present, but its definite establishment as a principle of law had in America, or was believed to have—the legal position was disputed—certain practical results of which no one in England ever thought; here, however much people might want to hamper trade unions, their position in relation to restraint of trade had, after much litigation and legislation, been definitely cleared up, and attack on that line was no longer possible.

Hard-headed economic theorists are inclined to be a little impatient of pleas that labour should not be regarded as a commodity, feeling that the thought lying behind such a plea is often woolly and sentimental, and it is often difficult to determine with any precision what the exact meaning of the

¹ W. S. Jevons, *The State in Relation to Labour*, p. 165.

² *Supply and Demand*, pp. 140-1.

³ Cf. Edwin E. Witte, "The Doctrine that Labour is a Commodity," *Annals of American Academy of Political and Social Science*, January, 1917.

phrase is. It may be noted in passing that the principle that the price of labour is determined by precisely the same type of causes as is the price of any other commodity is defended not only by orthodox economists. Brilliant and eloquent expositions of the subject may often be heard from Communist open-air speakers, but the conclusions drawn from the theory by the two sets of thinkers are of course quite different. The most emphatic denial of the possibility of trade union action influencing wages now comes from left-wing industrialists.

Propagandists for minimum wage legislation, using language which implies that an attempt must be made to withdraw labour from the operation of economic laws, evidently have in mind a view of economic law as something rigid and inflexible, which the economists themselves, if they ever held it, have long ago abandoned. Even from a strictly economic standpoint, one must first of all take into account the reaction which the price of labour has upon its quality. "A horse loses none of his working powers by being hired for a low price, but when the wages of a strong and diligent workman are reduced to any great extent, his working powers become impaired after a while."¹ And as Marshall has suggested, the market for labour is the most important exception to the general rule that over short periods the marginal utility of money to the several dealers does not appreciably change during the dealing, so that in the case of the sale of labour we are nearer than in the sale of any

¹ N. G. Pierson, *Principles of Economics*, Vol. I, p. 323. Cf. J. W. Crooks, *German Wage Theories*, pp. 57-8. "A railroad cannot cease transporting without serious losses in fixed charges, and in deterioration. It is comparatively useless as a body of mere property. . . . With reference to these points labour is analogous to the railroad business. . . . A labourer cannot cease selling his product without serious, and it may be permanent, detriment to his investment, that is himself. And here the labourer's position is peculiar, in that he carries upon his shoulders, so to speak, the future supply of labour. If his labour should cease, not only is his own investment damaged, but that of others who are dependent upon him. It is as if a business were being conducted not alone for the sake of the owner, but also as a support for the business of others so that if the one ceases the others of necessity fall also." Cf. also W. Smart, *Distribution of Income*, p. 198, "the question is not between starving and not starving the labourer, but between letting the fine human machine go to rust and keeping it in first-rate working order."

other commodity to the primitive conditions of barter.¹

In explaining how labour differs from ordinary commodities, the point is often made that it is not possible to separate labour from the man who sells it, as it is possible to separate other articles of merchandise from their vendors. If it is suggested that on this account labour should receive, as a favour, more kindly treatment than is usual in price-fixing transactions, the distinction, though sound, is strictly speaking irrelevant. But if we abandon altogether any idea of a charitable addition to wages, there is still an important sense in which economic theory should take account of this characteristic of labour. There is no price in determining which the hypothetical forces of competition are more hampered by frictional influences than the price of labour, and the impossibility of separating labour from the labourer is among the most powerful of these frictional influences. In some cases indeed it may operate to raise wages; the reason the price of labour of shipping company clerks in the unhealthy ports of East Africa exceeds the price of the same class of labour in the more temperate climate of South Africa so much more in proportion than the price of South African products in Beira exceeds their price in Cape Town, might well be expressed in terms of the inseparability of the labourer from his labour. The high remuneration of musical and theatrical artists, and their unwillingness to perform for Broadcasting Companies, might be considered from the same point of view. But this characteristic much more often operates as a handicap. In any case it diminishes the mobility of labour so seriously as to render the operation of the normal competitive forces very imperfect. Instead of visualizing the handicap, as one tends to do, as peculiarly strong in the case of men doing unpleasant work, it should be regarded as a general cause retarding the movements of workers from one district or one occupation to another.

From a different angle, the characteristics which distinguish labour from other commodities are important in determining how far reductions of wages will revive trade.

¹ *Principles of Economics*, 8 ed., pp. 335-6.

Mr. Bevin, the dockers' leader, has stated his belief that the reduction of dockers' wages since 1920 is quite unjustified, and that they should still be receiving the 16s. which was awarded to them then. Such a view is possibly part of the activity of propaganda which it is considered advisable to maintain, but few beside Mr. Bevin would deny that when the general price level falls some reduction of wages is also necessary. But that is not to say that whenever we wish to stimulate demand, we must economize in labour costs, or that a general reduction of wages is the cure for unemployment. Normally a reduction of price will stimulate the demand for ordinary commodities, but with regard to labour, as Taussig has pointed out, "there is no sign of that continuous diminution of utility with each increment offered the purchasers, which is of the essence of the law of demand and supply as to commodities."¹ During a depression the demand for labour is rather inelastic, and if the price falls there may even be a temporary diminution instead of an increase in the demand for it. To include this possibility, of which labour is only one of the most striking examples, it is necessary, as Dibblee has shown, to modify some of the traditional statements of the law of supply and demand.²

The doctrine that labour is not to be regarded as a commodity or article of commerce was extremely vague, capable of a variety of interpretations, and something which, as a writer in the *Economist* remarked, "will surely tax the ingenuity of the new-born Conference to recommend 'steps necessary to secure [its] practical application.' " According to the same writer, the Labour clauses of the Treaty had attracted little attention, partly perhaps "because we have become painfully inured to the expression of pious opinions by those who are, and still more by those who are not, qualified to speak on matters affecting Labour,"³ and the practical effects of the other principles would depend entirely on the way in which they were interpreted and administered. According to Mrs. Webb,

¹ *Wages and Capital*, p. 254.

² *The Laws of Supply and Demand*, esp. Chap. XII.

³ *Economist*, 20 September, 1919, p. 457.

" what has stood in the way of the acceptance of the principle of ' Equal Pay for Equal Work ' is not the ambiguity of the phrase, but the ease with which its honest application, whatever it may be taken to mean, can be evaded or dodged. . . . [To use the phrase in the Treaty] is, unfortunately, to evade all the difficulties and encourage all the evasions." ¹

One speedily discovers on examining the details of legislation for the restriction of hours that the title of an Act is not always a safe guide to the nature of its provisions, while the phrase, " a reasonable standard of life," lacks that clearness and definiteness of meaning which one would hope to find in a document intended to provide a solid basis for international law. But though it is undoubtedly an exaggeration to claim that the refusal of the claim of labour to receive international protection " would inevitably have turned public sentiment into revolutionary channels," ² a claim which assumes that the leaders of labour were watching the proceedings in Paris much more closely than was actually the case, the Labour clauses are undoubtedly good evidence of the new attitude which at this time it was regarded as politic to adopt.

(b) The Washington Labour Conference.

In accordance with the provisions of the Treaty the first International Labour Conference met at Washington in October, 1919. Its effectiveness was likely to be seriously diminished by the fact that neither the United States, Russia, nor Germany was officially represented, but it agreed to a number of Conventions and recommendations, the most important from our standpoint being for the general limitation of working hours to forty-eight per week. This was worked out in some detail, with special provisions for countries like China, India, Japan, and Greece, which were believed to be suffering from special disabilities, and eventually approved practically without dissent. The provisions of the Treaty of Versailles required that such conventions, although not to be regarded as binding on the Governments whose representatives had voted for them, were to be

¹ *Minority Report on Women in Industry*, Cmd. 135/1919, pp. 270, 290.

² David H. Miller, *International Relations of Labour*, p. 71.

submitted to the competent authority or authorities for legislative or other action by, at latest, 1 July, 1921. An authoritative statement of British policy was long delayed, and though several questions were asked in Parliament, there was no debate until 27 May, 1921, when Mr. Barnes, who had been the chief Government representative at Washington, but who was no longer a Minister, moved "that, in the opinion of this House, the Conventions adopted at the International Labour Conference under the League of Nations should be submitted to Parliament as the competent authority." In this, and in a subsequent debate on 1 July, the Government took up the position that it was impossible to ratify the Convention for three main reasons; (1) because neither the United States nor Russia were members of the League of Nations, a fact which was well known at the time when Mr. Barnes was instructed by the Government to vote for the Convention; (2) because the overtime provisions were not sufficiently elastic; and (3) because the railways were included, and in Great Britain the railways were already working under an agreement which established a forty-eight-hour week, exclusive of Sunday work, which was something extra every second or third Sunday. "The real difficulty with regard to the Washington Convention in relation to the Hours Bill is," according to Sir Montague Barlow, "that the two conflict,"¹ and accordingly nothing was done with regard to either. These arguments were severely attacked by members who were eager for improved industrial legislation or for the encouragement of international legislation, but the Government had little difficulty in securing a majority. The immediate result was the resignation of the trade union members of the Provisional Joint Committee, a step which formally terminated the existence of the already moribund Industrial Conference. It was felt that the labour clauses of the Treaty of Versailles, and the proceedings at Washington, no less than the proceedings of the National Industrial Conference, were regarded as useful merely because they satisfied the demand that "something ought to be done,"

¹ House of Commons, 27 May, 1921.

and were in fact, as Mr. Barnes said, "a mere tag to keep Labour hoping and talking."¹ The view that at its first meeting the International Labour Conference undertook too much, and that it would have been wiser to hasten more slowly, is perhaps sound, but the attitude of the British Government, which adopted a merely opportunist policy, did not reveal any clear grip of the problem as a whole.

(It is announced that the Government of 1924 proposes to introduce legislation to ratify the Washington Convention.)

(c) Industrial Problems in Other Countries.

Finally, attention may be briefly directed to the obvious fact that the problems and arguments which we have been considering were by no means peculiar to Great Britain. They did not always arise in precisely the same form, but in its broad outline the industrial problem in this country was the same as the industrial problem in practically every other part of the world. Those who detected evidence of unusual laziness, and a malicious desire to upset industry, in the British workman, and wrote indignant letters to the newspapers pointing out how hard workmen everywhere else were toiling, forgot that in the United States, in France, Germany, Italy, Spain, Sweden, and many other European countries, and in practically every other part of the British Empire, similar industrial conflicts were being waged, and for much the same mixture of economic and political motives as was operative in Great Britain. When we read of the threats of employers to transfer their works to other and presumably more docile countries, we often suspect that the employers in these more favoured regions are probably using precisely the same sort of threats there. But we do not always get such striking confirmation of our suspicions as in the case of the shipbuilding firm, Messrs. Yarrow & Co., who, it was announced in *The Times* of 4 February, 1919, intended gradually to transfer their works from the turbulent Clyde to Vancouver. Not long after it was reported from Vancouver that shipbuilders there were contemplating closing down, because the insecurity caused

¹ House of Commons, 1 July, 1921.

by continual labour disputes made it impossible to meet British competition.¹

As the *Manchester Guardian* pointed out on 7 June, "the root causes of the unrest in France, Italy, Britain, or Canada is the same. High prices and profiteering, coupled with a determination on the part of the workers to snatch at the promised fruits of victory which diplomacy is unable to obtain, are not confined to any one country."

It is convenient to deal with the wage problems of one country in isolation from the problems of others, and comments made by non-English writers upon English problems indicate that without knowledge of local conditions it is easy to make elementary blunders, but the fact remains that in this subject national boundaries are fundamentally unimportant.² The movements of thought and the chains of events which direct these movements are world-wide and not national.

¹ *Times*, 23 April, 1919.

² Statistics of wage movements outside Great Britain may be studied in the *International Labour Office Studies and Reports*, Series D, Nos. 2 and 10, *Wage Changes in Various Countries, 1914-21 and 1914-22*. The change of ratio between the wages of skilled and unskilled workers which was much criticized in Great Britain had, as Report No. 2 shows (p. 69), "taken place almost without exception in all countries and industries for which figures are available." It is not, however, clear whether the tendency to revert to the old ratio has also been equally strong everywhere.

CHAPTER VI

ARBITRATION AND THE INDUSTRIAL COURTS ACT, 1919

(a) **The Industrial Courts Act.**

THE provisional machinery whereby the Government had attempted the partial regulation of general wages was finally abolished in November, 1919, by the Industrial Courts Act. This Act marks in fact a return to the policy of the early part of the twentieth century, but, in addition to making more permanent the conciliation machinery which had then been regarded as a sufficient contribution by the Government to the settlement of industrial conflicts, an altogether new piece of machinery was set up, for which there was no precedent in pre-war English history, and the Act is therefore properly regarded as marking a definite step in the history of British industrial policy. The value of the facilities provided by the Act depends very much on the policy of the ministry of the day, but a study of the work of the Courts throws considerable light on thought on wages questions during 1920 and 1921.

During 1919, as we have seen, wages were kept by legislation either at the level of November, 1918, or at such higher level as was determined by the awards of the Interim Court of Arbitration. It was hoped and intended that during the breathing space that was thus left to industry, permanent arrangements would be made in each trade for adjusting wages to the changed conditions of the post-war period. But though there was much talk of a return to "normal times," the meaning of this phrase was not at all clear; the interpretations of employers and workmen were certainly different, and it was doubtful whether within any

short period of time one could reasonably look for the return of the stability without which normal conditions were impossible. Whilst prices continued to rise as a direct result of the inflation of the currency, it was difficult to attach any meaning to "a normal wage-level," and the difficulties of determining whether a rise of prices is due entirely to currency influences or partly to other causes are familiar to anyone who has attempted to define "inflation."¹ As the time drew near for the expiration of the Wages (Temporary Regulation) Act, the number of trades which had already devised stable machinery for wage regulation was seen to be small, and when, among the terms of settlement of the railway strike of September, 1919, railwaymen were guaranteed existing rates of pay until September, 1920, it became clear that it would be necessary to extend in other industries also the period during which the obligation to pay "prescribed rates" was binding. At the same time, both the Government and the employers were anxious to limit the sphere of compulsory arbitration, while the Government also wished to give some sort of permanence to the machinery of the Interim Court, so that members of the Court could take a longer view of the cases before them than was possible when their tenure of office was limited to six months. Accordingly, after further consultation with representatives of trade unions and employers, the Industrial Courts Act was submitted to Parliament early in November.

The provisions of the Act fall into three main divisions, two of permanent interest, the third a temporary prolongation of the principal provisions of the Wages (Temporary Regulation) Act. There was no obvious connection between the three parts of the Act, and any one of them might have been accepted or rejected without interfering seriously with the value of the other two. By Part III of the Act, the obligation to pay prescribed rates of wages was maintained until 30 September, 1920. Differences concerning the prescribed rates which had previously been determined by the Interim Court were now to be heard by the new Industrial Court set up in Part I of the Act, but the

¹ Cf. A. C. Pigou, "Inflation," *Economic Journal*, December, 1917.

Court had no authority to declare a "substituted rate," except in those cases which had already been referred to the Interim Court, and on which no decision had been given. Though there was no obligation to pay higher rates than those existing in November, 1919, the wage-level continued to rise throughout this period of partial control.

(b) **The Industrial Court.**

The post-war policy of the Government in regard to industrial relations, and strikes and lockouts, was based more or less consciously on the Whitley Reports, and in the permanent parts of the Industrial Courts Act, the Government applied two of the recommendations of the Report of the Whitley Committee on Conciliation and Arbitration. "As arbitrations affecting the same trade or section of trades may recur," it had been stated,

"there are advantages to both employers and workpeople in knowing that the tribunal to which they submit any differences which they may have failed themselves to settle is one to which previous differences have been submitted, and which, therefore, has become familiar with the conditions of the trade. For these reasons it would appear desirable that there should be a Standing Arbitration Council on the lines of the present temporary Committee on Production to which differences of general principles and differences affecting whole industries or large sections of industries may be referred in cases where the parties have failed to come to an agreement through their ordinary procedure, and wish to refer the differences to arbitration." ¹

The new Court is defined as

"a standing Industrial Court, consisting of persons to be appointed by the Minister of Labour, of whom some shall be independent, some shall be persons representing employers, and some shall be persons representing workmen, and in addition one or more women." ²

"Any trade dispute . . . whether existing or apprehended, may be reported to the Minister by either of the parties. . . . The Minister may . . . if both parties consent, (a) refer the matter to the Industrial Court; or (b) to the arbitration of one

¹ Cd. 9099/1918, p. 4.

² Industrial Courts Act, Section 1 (1).

or more persons appointed by him ; or (c) to a board of arbitration." ¹

The procedure of the Court was left almost entirely to its own discretion, but the object of this part of the Act was to encourage the voluntary submission of disputes to a tribunal, organized on the same lines as had been made familiar by the work of the Committee on Production and the Interim Court. The majority of cases, it was anticipated, would be heard by a board of three, an independent chairman, and representatives of workmen and employers.

This part of the Act did not, of course, establish any new principle. It constituted, in fact, a return to the normal line of development from the Conciliation Act of 1896 through the permanent panel of arbitrators of 1909.² The machinery of this as of the earlier Act worked in close connection with the arrangements which already existed for the direct settlement of disputes. It was not the policy of the Industrial Court, as it had not been the policy of the Conciliation Act of 1896, to supplant the private Conciliation Boards, but rather to encourage their development. The Minister of Labour had no power to refer a dispute to the Court, even if the agreement of the parties had been obtained, until all the other means of settlement had been tested. A proposal to repeal the Conciliation Act was dropped, though everything of value in that measure was equally well provided by the new Act, and the Conciliation Act has in fact fallen into complete disuse. The first award of the Industrial Court was issued to settle a dispute referred under the Conciliation Act to the Interim Court, but no further disputes were referred in this way.

The new Act was not, however, merely a return to the position of 1909. Instead of appointing a panel of men already holding positions of importance and authority in industry, but only incidentally interested in the work of arbitration, the new Act tried the experiment of setting up a panel of expert arbitrators, who, although chosen, except in the case of the chairmen, as representatives of the points of view of employed or employers, nevertheless had an

¹ *Ibid.*, Section 2 (1)-(2).

² *Vide supra*, pp. 28-9.

opportunity of developing a consistent technique in their work which was denied to men who endeavoured to settle industrial disputes in the leisure moments of an already busy life. In 1909 it had been thought advantageous constantly to vary the personnel of the Court, so that "there would be no danger of the Court itself becoming unpopular with either class in consequence of any particular decision,"¹ but the experience of the war-period had impressed the Government with

"the superiority of a permanent tribunal dealing daily with disputes covering an immense variety of trades, over a single arbitrator casually called in on occasion to deal with questions of a technical character in an atmosphere to which he has not had the opportunity of becoming acclimatized."²

There were obvious dangers to be faced in both directions, the danger

"that the decisions of a standing Industrial Court with a small number of permanent members, in particular those representing employers and workmen, are apt to become stereotyped, and of an official mould, and too inelastic as applied to individual cases, or even groups of cases,"³

or the danger of friction caused by the application of inconsistent principles in different industries.⁴ The former seemed at the time to be less pressing, and a permanent Court was therefore established. It was, however, still open to those who preferred the old method to ask for the appointment of a single arbitrator or a board of exactly the same type as the Conciliation Act had been accustomed to provide. The most serious difficulty in voluntary arbitration was the choice of an impartial arbitrator. It was not every dispute that found an Askwith ready to deal with it.

¹ *Board of Trade Labour Gazette*, September, 1908, p. 271.

² *Journal of Royal Society of Arts*, 11 May, 1923, p. 444.

³ W. H. Stoker, *Industrial Courts Act*, 1919, p. 26.

⁴ Cf. Mr. Justice Higgins, 25 September, 1920, "the objectives of the permanent Court and of the temporary tribunal are quite different—one seeks to provide a just and balanced system which shall tend to continuity of work in industries generally, whereas the other seeks to prevent or to end a present strike in one industry. . . . A tribunal of reason cannot do its work side by side with executive tribunals of panic," cit. *New Province for Law and Order*, p. 173.

The appointment of permanent arbitrators might therefore give individuals with latent capacity of the same type as Askwith's opportunities of establishing themselves equally firmly in the confidence of the industrial community. The new Court was in personnel, and indeed in everything but name, a continuation of the Interim Court. The "extensive and valuable knowledge of industrial conditions and . . . appreciation of the psychology of employers and workers," which, as Sir William Mackenzie, the President of the Court, says, "is one of the chief qualifications of a successful arbitrator,"¹ and which the Committee on Production had acquired, were handed on to the Industrial Court, and its permanence gave it wider opportunities of working out a complete system of industrial relationships.

(c) Rejection of Proposals for Compulsion.

Both reference of disputes to the Court and acceptance of its awards (except in a few cases up to September, 1920) were entirely voluntary. No one was compelled to have recourse to the Court, and no one was compelled to obey its findings. Nor was the power of the Interim Court to make rates statutorily enforceable by the registration of agreements revived. That this should be the case was not the original intention of the Government, but it was impossible to harmonize the conflicting claims of employers and trade unions, and every trace of compulsion was dropped from this part of the Act. It had been intended to make lockout or strike against the awards of the Court illegal until four months had elapsed after notice of intention to declare a strike or lockout had been given to the Minister of Labour, and to extend awards to other employers and workmen engaged in the same trade, though not parties to the original reference. The principle involved in the latter provision was the same as that involved in the enforcement of agreements throughout a trade. The competition of employers who were not compelled to improve the conditions of their workers was a constant source of complaint and a

¹ *International Labour Review*, July-August, 1921, p. 43.

strong motive for legislative action, and this difficulty sometimes came before the Industrial Court.¹

The prohibition of strikes within some defined period after formal notice had been given was supported as likely to moderate the heat of conflict and therefore to make strikes less probable. But trade unionists had always opposed such proposals, believing that they were merely intended to place them at a disadvantage by enabling their employers to prepare for the coming strike and so deprive the unions of the chances of success which prompt action was believed to give. Trade unionists were quite willing that the awards of the Court should be extended to other employers and workmen, but the employers opposed this except on the condition that awards were made binding on both sides. As neither party would give way, and it was impossible to make awards that were not binding on the parties to the dispute binding on those who had had no part in the proceedings, both proposals were dropped.

The employers' claim that both sides should be treated in exactly the same way has at least an appearance of reasonableness, but it is not easy to fit the solution of this question into any consistent philosophy of industrial legislation. The underlying principle of English industrial legislation up to this point had seemed to be the provision of minimum standards, for the infringement of which the employer was liable to a penalty, but which nevertheless were nothing more than minima, and for the acceptance of which no duty was imposed upon the workman. This principle was applied to the regulation of wages under the Trade Boards Act. There was some debate whether the Trade Board minima did not in practice tend to become maxima, but legally, while the employer could not pay wages lower than the Trade Board rates without becoming liable to prosecution and fine, the workman was in no way precluded from taking such steps as might seem fit to ensure the payment of still

¹ Cf. Awards Nos. 225, 268, Carters, March-April, 1920. The competition of employers who were not members of the Drug and Fine Chemical Manufacturers' Association was mentioned to the Court as a reason for asking the Minister of Labour to set up a trade board for the industry. Award No. 677, 3 August, 1921.

higher rates. The view of Mr. Justice Higgins was that the employee is not bound to take employment at the minimum rate, just as the employer remains free to give or to refuse employment,¹ i.e. that the compulsion placed upon the employer to pay certain wages is conditional on his willingness to provide employment. The answer to an appeal to the tradition of earlier legislation would probably be that, whereas the Factory Acts and the Trade Board Acts had a definitely protective intention, disputes before the Industrial Court would be between parties presumed to be on equal terms, and therefore not in need of protection, but when the Government implied that the extension of the Trade Boards Act was practically equivalent to carrying out the National Industrial Conference recommendations for national minimum wage rates, this distinction was wearing very thin. Perhaps, after all, the question has merely an academic interest. The fact that acceptance of awards is compulsory will not in practice necessarily increase the number of awards which are peacefully obeyed. The Trade Board rates which are not binding on the workers have in practice been at least as carefully observed as the awards of tribunals to whom the formal power of enforcement on both sides has been granted.

The Act also authorized the Minister of Labour to "refer to the Court for advice any matter relating to or arising out of a trade dispute, or trade disputes in general, or trade disputes of any class," but this provision was scarcely a real extension of the powers of the Court; for even had it not been specifically provided for, there would have been nothing to prevent the Minister from seeking advice from the Court on such subjects.

(d) Courts of Inquiry.

It was presumably Part II of the Act which the *New Statesman* had in mind when it reproached the Baldwin Government because it had "destroyed the Industrial Courts Act almost completely."² For the extent to which

¹ *New Province for Law and Order*, p. 44.

² 15 December, 1923, p. 295.

use was made of the Industrial Court already described depended on the willingness of disputants to come before the Court. Part II, on the contrary, depended for its effectiveness almost entirely on ministerial policy. It authorized the Minister to refer trade disputes to a specially constituted Court of Inquiry, not for an award of the same form as was used by the permanent Industrial Court, but for investigation of all the facts, and recommendation of a solution for the dispute. Such a special Court could be set up without the consent of the parties concerned, and with power to compel the attendance of witnesses and the production of evidence, though no one was compelled to adopt its recommendations. These provisions were the result of a belated adoption of a recommendation of Sir George Askwith, who made an inquiry in 1912 into the Industrial Disputes Investigation Act, 1907, of Canada, commonly known as the Lemieux Act, which forbade strikes in certain industries of public importance until an impartial inquiry had been made into the causes of the dispute.

"The real value of the Act" (he had reported) "does not lie in [the restrictions on strikes, or the infliction of penalties]. The pith of the Act lies in permitting the parties and the public to obtain full knowledge of the real causes of the dispute, and in causing suggestions to be made as impartially as possible on the basis of such knowledge for dealing with the existing difficulties, whether a strike or lock-out has commenced or not. . . . The forwarding of the spirit and intent of conciliation is the more valuable portion of the Canadian Act, and an Act on these lines, even if the restrictive features which aim at delaying stoppage until after inquiry were omitted, would be suitable and practicable in this country."¹

The Whitley Report on Conciliation and Arbitration had endorsed this view:

"We do not recommend" (it was stated) "any scheme relating to conciliation which compulsorily prevents strikes or lock-outs

¹ Cd. 6603/1912, pp. 15, 17. Lord Askwith has apparently revised his opinion of the penal provisions of the Lemieux Act, for he introduced a Bill into the House of Lords in April, 1924, forbidding strikes or lock-outs before inquiry. Cf. *Empire Review*, May, 1924. Lord Askwith does not explain his change of view, but many in Canada would still adhere to the opinion expressed in the Report of 1912.

pending inquiry; but . . . we suggest that the Ministry of Labour should be authorized to hold a full inquiry when satisfied that it was desirable, without prejudice to the power of the disputing parties to declare a strike or lock-out before or during the progress of the inquiry."¹

The Government adopted the recommendation of the Whitley Report, and Part II of the Industrial Courts Act in effect attempted to adapt the Canadian Act to English conditions, omitting altogether the penal provisions and imposing no restriction on the class of industry to be dealt with. In any case where it was desirable in the public interest carefully and impartially to investigate an industrial dispute, the Government now possessed authority to hold such an inquiry even without the consent of the parties to the dispute.

(e) **The Work of the Industrial Court.**

The Industrial Court has been in existence for more than four years, and up to the end of 1923 had issued 860 awards (including in the earlier years some Irish awards), with the same variety in scope and interest as was shown by the awards of the Interim Court. During the period 1920-3, the number of industrial disputes in the United Kingdom (excluding Southern Ireland) reported to the Ministry of Labour was 3,555, but it would scarcely be fair to draw any conclusions from these figures as to the importance of the Industrial Court as an instrument for ensuring industrial peace. The Court could not deal with any dispute except with the consent of the parties to it, and in the many large industries where the tradition of reference to the Interim Court had not been fostered, it would seldom occur to anybody that use might be made of the Industrial Court. It is quite conceivable that a Court which at first dealt with only a very small proportion of the industrial disputes might gradually win the confidence of the country, until it had established for itself a position more secure than that of any tribunal whose awards were legally enforceable. The

¹ Cd. 9099/1918, p. 3.

answer to the question whether this possibility corresponds at all closely to the facts will emerge as we proceed.

The Court worked first during a period of rising prices and wages, and later during a depression when prices and wages were falling, and one might expect therefore to be able to deduce from its awards a more complete theory of wages than was possible from the awards of its predecessors, who worked on only one slope of the trade cycle. A close examination of the text of the awards does not, however, induce us to echo the rapturous exclamation of an American writer, that "they show a wonderful knowledge of the interplay of economic forces,"¹ but it is nevertheless possible to draw some interesting conclusions from the observations offered by the Court in justification of their awards. The proceedings of the Court have been marked with the utmost caution, and it has made no attempt to force itself upon public attention, but with the assistance of the public declarations of the President, Sir William Mackenzie, it is possible to form some idea of the general principles which the Court have endeavoured to apply. Except for what can be gathered from the published awards, there is no reliable source of information to which the outsider can go for a knowledge of the detailed work of the Court, as the practice of hearing cases in private has been maintained. In addition to publishing *The Industrial Court, Practice and Procedure*, which is for the most part a technical manual, Sir William Mackenzie has also on two occasions developed his theory of the functions of the Industrial Court, first in the *International Labour Review* of July-August, 1921, and more recently in a paper read before the Royal Society of Arts, and published in their journal on 11 May, 1923. He had been appointed an additional chairman of the Committee on Production in July, 1917, and had continued to direct the work of the Interim Court. He was also chairman of the Railway National Wages Board, and had therefore wider opportunities of co-ordination open to him than the Industrial Court by itself was able to offer.

¹ *Industrial Management*, New York, November, 1921, p. 271.

The possibility of such co-ordination was one of the chief advantages which it was urged the new Court possessed.

“ If you have a Court ” (said Sir Robert Horne) “ which has in view from time to time all the different industries in the country, it will be in a position to correlate the various wage systems so as to bring about in the end a result which will cause the least confusion.” ¹

Naturally Sir William Mackenzie takes a hopeful view of the possibilities of the Court. “ By moving forward on methodical lines,” he claims, “ not seeking notoriety, it brings some assurance that the foundations are being laid for a serviceable and satisfying structure.” ² Whether notoriety has been sought or not, it has certainly not been found. The only remark which the Minister of Labour in April, 1923, Sir Montague Barlow, thought it desirable to make about the Industrial Court, in submitting the estimates for his Ministry to the House of Commons, was “ I am afraid I have no time to deal with the Industrial Court,” ³ and there was no one to protest that his treatment of the subject was inadequate. The Industrial Court is certainly not one of the institutions the mention of whose name strikes at once a responsive chord in the breast of the average Englishman. In Australia there are few who have not heard of the Commonwealth Arbitration Court, the newspapers are full of its proceedings, and during the term of his presidency the name of Mr. Justice Higgins was almost a household word. But in England there are few who have even heard the name of the Industrial Court, and fewer still who know what it is doing.

The importance of an institution, either for the present or for the future, is of course not in any way correlated with the size of the type which the newspapers use in referring to it. The position of a voluntary arbitration court is in some respects exceptionally difficult. On the one hand, it must avoid the error of taking such a “ strong ” line on

¹ House of Commons, 6 November, 1919.

² *Journal of Royal Society of Arts*, 11 May, 1923, p. 445.

³ 26 April, 1923.

either side as to deter workmen or employers from making use of its machinery ; and on the other, it must not be so entirely colourless and non-committal as to fade away altogether from the memory of industrial organizations. " If an Industrial Court is to serve the best interests of the community, it must avoid the evil of attempting too much as well as the impotence of attempting too little." ¹ Some may think that in the face of this dilemma, the Industrial Court has not succeeded in establishing itself in public favour, but it is not easy to suggest how its position could have been strengthened.

The very name, Industrial Court, has been criticized as an anomaly in an institution which has no power to compel disputants either to come before it or to accept its decisions. And there is no logical reason why the bodies over which Sir William Mackenzie presides should be called, in the one case, a Court, and in the other, a Wages Board. But Englishmen have seldom been deterred from giving the same name to two institutions, by the fact that their superficial similarity corresponded to no underlying unity of principle. As Bagehot observes, " we have not been trained to care for logical sequence in our institutions, or rather we have been trained not to care for it." ² In any case, though precedents for the use of the word Court in precisely the sense which it has in the name Industrial Court are rare, the word is in fact used in so many different senses that there can be no valid objection to its use here. Undoubtedly it was intended to suggest a dignity and judicial impartiality, which were not always associated with the term Board of Conciliation, and if this object was in any way achieved, the usage was to that extent justified. That there still remained a considerable difference between the new Courts and those already established may be concluded from the fact that in the Courts of Inquiry at least it was a common practice for the representatives of either side to thank the members of the Court for their patience

¹ Judge W. Jethro Brown, 4 South Australian Industrial Reports. *Trading Bank Clerks Case*, 1921, p. 210.

² *Lombard Street*, 1910 ed., p. 73.

and impartiality, an expression of opinion which an ordinary judge might be expected to resent.

(f) **Compulsory Arbitration.**

Compulsory arbitration has been much debated in England, and its practice has for some years been opened to observation in Australia and New Zealand. While its success in these countries has not been so complete as its founders had hoped, neither is its failure so catastrophic as some of its critics abroad suppose. While most people who have had experience of the system are anxious for radical changes in its administration, few wish to discard it altogether. But no one who had any authority to speak on the state of mind of those engaged in industry seriously believed that compulsory arbitration was practical politics in Great Britain in November, 1919. Although trade union opinion as a whole had always been opposed to compulsion, it had not always been unanimous, and trade union congresses in the early years of the century frequently debated the question. In August, 1911, Mr. Will Crooks had indeed introduced into Parliament a Labour Disputes Bill, prohibiting strike or lock-out without prior reference to a Board of Conciliation,¹ to which, however, the Trade Union Congress strongly objected, but by 1919 there was scarcely anyone in the trade union movement who had a good word to say for compulsory arbitration. The objection of the miners, for example, to any form of compulsion had been so strong that they had refused, even under the unique circumstances of the War, to endorse the Treasury Agreement of March, 1915, and actual prosecutions for the offence of striking had had little effect. As Mr. Brace told the House of Commons on 13 February, 1919, "organized labour opposed compulsory arbitration because the scheme does not contain within itself a basis which would ensure equitable treatment for employers and employed." The Whitley Committee, with the record of war-time arbitration before it, had definitely condemned compulsion; "there is no reason to believe that such a system is generally desired

¹ Bill 360.

by employers and employed, and in the absence of such general acceptance, it is obvious that its imposition would lead to unrest.”¹ As Mr. Thomas explained to the National Industrial Conference on 4 April, the employers and trade union representatives on the Whitley Committee “unanimously decided that they could not ask the Government to impose a penalty upon an employer that under similar circumstances they would not ask to be imposed on employees.”² Employers as a rule were no more eager for compulsion than were trade unionists, and the Committee of the Industrial Conference was opposed to any such innovation.

Though the feeling against compulsion was definite enough, the reasons underlying it were not always so clear, or, if clear, would not bear careful examination. Objections on the employers' side, for example, were often based on the alleged levelling effect and lack of elasticity of compulsory awards. It was partly this view that led Mr. Knoop to the belief that “if any great manufacturing country wishes to commit industrial suicide, it cannot do better than adopt compulsory arbitration.”³ But many such objections would apply with equal force to any method of regulating wages in large establishments, where the number of men employed makes their classification in definite grades inevitable, and much more to any sort of collective bargaining, which was however in general regarded as the only satisfactory alternative. “Efforts to interfere with individual or corporate liberty of action, or that freedom of contract which is essential to sound commerce, have failed in the past, and must inevitably fail in the future,”⁴ suggests a principle that would rule out much beside compulsory arbitration. Actually the effectiveness of the standardizing tendency is commonly much exaggerated. Even after the strong movement in this direction during the War, the great differences of wage payment, which had been very common before the War, especially among homeworkers, and which could not

¹ Cd. 9099/1918, p. 3.

² *Times*, 5 April, 1919.

³ *Industrial Conciliation and Arbitration*, p. 177.

⁴ *Edinburgh Review*, January, 1900, p. 15.

be explained entirely by differences in ability, had only been diminished and not destroyed. Trade union opinion often took a rather confused view of the results of compulsory arbitration abroad, though the argument that there was no real analogy between the conditions in Australia and New Zealand and the conditions in Great Britain could not be ignored. A sort of mystic faith lay behind Mr. Jack Jones' declaration that "the right to strike is the sheet anchor of trade unionism. It is the right which separates the free workman from the slave. In the final resort it is the only thing that differentiates us from the chattel," ¹ and on the other side there was a sort of "metaphysical horror of any legal regulation of wages," ² an equally mystic faith that whatever was undertaken by a Government must be wrong. "We consider it a matter of high principle," Lord Devonport told the Dockers' Court of Inquiry, "that employers and employed should negotiate direct, and not act through the intervention of the Government. . . . We are not going to have the Government running our labour affairs; we are going to resist it vehemently at all times." ³ Objections based on the difficulty of enforcement—"you cannot imprison a trade union" ⁴—were also common and make discussions of the legal position appear a little academic.⁵ Since the days of Sir Thomas More, it has been known that rigorous penalties are not necessarily effective, and even if they could be imposed for breaches of arbitration awards, they would probably have undesirable results, similar in kind to those against which More had protested. It is also significant

¹ House of Commons, 6 November, 1919.

² S. and B. Webb, *Industrial Democracy*, p. 777.

³ Cmd. 936/1920, pp. 332, 341.

⁴ Sir D. Maclean, House of Commons, 6 November, 1919.

⁵ Cf. Whitley Report on Conciliation and Arbitration, Cd. 9099/1918, p. 5: "While it is to the interests of both employers and workpeople and the community generally that industrial agreements should be duly fulfilled, in the long run this object is more likely to be secured by an increased regard for moral obligation, respect for an instructed public opinion, and reliance on the principles of mutual consent, rather than by the establishment of a system of monetary penalties." Cf. also H. Wolfe, *Labour Supply and Regulation*, p. 127: "If a sufficiently large body of men were determined to break the law, they could do so with impunity as long as public opinion was not strongly against them."

that the outcry in favour of compulsory arbitration always becomes louder when strikes are threatened to enforce increases of wages, but is seldom heard when workers are being compelled to accept reductions. Considerations of this nature lead the author of *Industrial Negotiations and Agreements* to the view that

“it is part of the consistent policy of employers to invoke either State or joint machinery for fixing wages, at a time when Labour is in a strong bargaining position, and to repudiate and abandon all such interference at a time when Labour is comparatively weak.”¹

With the exception of those who look upon strikes as useful training for the manœuvres which will carry the social revolution to a successful issue, nobody has ever believed that in themselves they are good things,² and it is easy enough to contrast the reasonableness of business men when they unhesitatingly submit the ordinary disputes of business life to the jurisdiction of a Court with their stupidity in failing to find a similar organ of justice for resolving their differences with their employees. With arguments such as this, compulsory arbitration has, both before and since the War, been frequently defended. One is tempted to develop the analogy between the recognition which a modern Government is compelled to allow to

¹ Pp. 10-11.

² There is good reason, however, for believing that the dislocating effects of strikes on industry are often much exaggerated. Before accepting at their face value the imposing statistics of number of days and amount of wages lost through strikes, it is necessary to inquire how far the strikes have taken place in seasonal employments, and consequently how far they have merely concentrated the slackness of employment, which normally would be distributed throughout the year. Cf. *Federated American Engineering Societies' Report on Waste in Industry*, 1921, where it is shown that in the coal-mines in the U.S.A. the average period of employment in 1912, when the average loss per man through strikes was forty days, was six days longer than in 1911, which was strikeless. From this point of view strikes caused by the infringement of craft monopolies occupy an altogether disproportionate place in public attention, and are in fact relatively quite unimportant. “The time lost in strikes is really taken out of the time that employees would have been idle in any case rather than out of production time. . . . Statistics do not support the popular belief that strikes are responsible for great losses in earnings to wage-earners or in the output of industry. . . . The ordinary penalty for striking, loss of earnings, is not effective in industries where workmen are normally idle about one-third of the time,” pp. 309-13. Perhaps this also explains why many strikes are failures.

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strikes and the ordeal by battle of a more primitive legal system, or between the hostility felt against compulsory wage regulation, and the prejudices which still exist in some countries against policemen, but one example of the argument will be sufficient here.

“Methods” (says Sir William Mackenzie) “which would be looked upon as barbarous for the purpose of settling business differences in general are too often accepted as a matter of course, and even of economic necessity, when a business difference of a particular kind occurs, that is, a difference between an employer and his workpeople as to rates of pay and conditions of service.”¹

Is this analogy as sound as at first sight it appears?

There is of course an obvious difference in the fact that while in ordinary civil disputes the judge has an elaborate code to guide him in applying the principles of law, in industrial disputes there exists not even the most general sort of agreed principles, and much less a detailed code. As Mr. Justice Oliver Wendell Holmes has well put it:

“As law embodies beliefs that have triumphed in the battle of ideas and then have translated themselves into action, while there is still doubt, while opposing convictions still keep a battle front against each other, the time for law has not yet come; the notion destined to prevail is not yet entitled to the field.”²

No authoritative attempt has ever been made in England to lay down rules to govern the work of arbitrators. Few would agree with Sir Lynden Macassey that “on the question of remuneration, there is really, if the matter be closely examined, no difference whatever in principle.”³ The Whitley Committee, which covered in its recommendations a large part of the industrial field, made no suggestions about the principles which should control the payment of wages. Among the matters which it was hoped the National Joint Industrial Councils would discuss was

“the settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages, having regard to the need for securing

¹ *Journal of Royal Society of Arts*, 11 May, 1923.

² *Cit. Harvard Law Review*, November, 1919, p. 62.

³ *Labour Policy—False and True*, p. 224.

to the workpeople a share in the increased prosperity of the industry,"¹

but the Committee deliberately refrained "from making suggestions or offering opinions with regard to such matters as . . . particular systems of wages."²

But this point is usually granted by supporters of arbitration, who indeed insist that the chief function of an Industrial Court is to supply the principles which are admitted to be lacking. It is partly on this account that so much importance is attached to the length of tenure of arbitration judges, though no one imagines that the administration of the criminal law would be much affected by an increased death-rate among the members of the judiciary. And assuming the possibility of working out a coherent set of principles, a voluntary court has at least one advantage over a compulsory tribunal, for its work is not liable to be constantly hampered by the settlement of technical legal points. In the development of a system of law, we see in many cases that in its early stages the principles are just as vague and ill-defined—whatever may be said of its individual prescriptions—as the principles which are applied in courts of arbitration. Just as the arbitrator seeks for the custom of a trade, and endeavours to convert it into a general rule, so the direction of the growth of law in the stricter sense has often been determined by customs, which have generally been obeyed long before they have been given the sanction of law. In the procedure of the Industrial Court, says Sir William Mackenzie,

"we see something akin to the beginnings of the old Courts of Common Law which sat in Westminster Hall. The early decisions of those Courts are decisions on particular facts rather than on principles of law, for the principles of law had hardly yet been ascertained. Customs, local and national, are recognized, and by and by rules are propounded and gradually there emerge settled principles which to-day appear commonplace, so ingrained have they become in our social everyday life. What we regard as the common law of the land has thus been of slow and gradual growth; but it had a beginning, and under whatever verbal guise it may have appeared, the authority for early decisions

¹ Cd. 8606/1917, p. 5.

² Cd. 8606/1917, p. 6.

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must have been nothing more than some concept or principle springing from the general social conscience.”¹

The Industrial Court, he holds, “has made a beginning in the task of laying down a corpus of industrial common law.” And similar expressions have been used by other arbitration judges.

“It has been my sustained ambition” (writes Jethro Brown) “to contribute to the formulation of a code of principles of industrial law which in time will become so clear and definite that the great majority of industrial matters and disputes might be settled out of court by a simple reference to the principles, without involving the troublesome and expensive process of litigation.”²

“The new realm of law promises to develop into a code which, if it will not eclipse, will at least challenge, the traditional prestige of Criminal and Civil Law. Judging by the existing rate of progress, the parvenu of to-day will be an aristocrat of to-morrow, and some ancient views as to the scope of positive law, and as to the relative importance of the law of master and servant to the totality of law, will undergo a radical change.”³

And independently of arbitration, there has already been a tendency to recognize the clearly established customs of a trade as legally binding on its members. “In the building trades county court judges now usually hold that the ‘working rules’ of the district are implied as part of the wages contract, if no express stipulation has been made on the points therein dealt with.”⁴ The custom of paying for a guaranteed week of thirty-three hours in the Flint Glass trade is enforced in the same way.⁵

But it does not seem possible to draw any sound analogy between a legal code which decides how contracts are to be treated after they have been concluded and one which decides how such contracts are in the first place to be made. When business men are unable to agree about the terms of a future contract, and a business difference arises which is strictly

¹ *Journal of Society of Arts*, 11 May, 1923, p. 444.

² *Cit. Times*, 6 November, 1919.

³ Jethro Brown, *Journal of Society of Comparative Legislation and International Law*, October, 1920, p. 169.

⁴ S. and B. Webb, *Industrial Democracy*, p. 178.

⁵ *Ibid.*, p. 437 n.

analogous to a wage dispute, they do not resort as a matter of course to a court of law, but simply refrain from making the contract. A civil action assumes the prior existence of a contract; it is of the essence of a wage arbitration to assume that no contract exists, and that recourse is therefore had to an impartial authority to decide what its terms shall be. It may be replied that though the ordinary courts are usually content to interpret and enforce the terms of contracts already in existence, there are some contracts which, because they are considered contrary to the public interests, or for some other reason, they will refuse to recognize, and that the work of the Industrial Court consists in determining the principles, the breach of which will render a wage contract legally non-enforceable. Mr. Justice Higgins, who enumerates a large number of principles which guided his work as an arbitration judge in Australia, and who, in so doing, has, according to Mr. Justice Sims, also stated more fully than anyone else the principles followed in New Zealand, draws an analogy with the action of criminal rather than of civil courts.

“ Even as the extension of the King’s peace ” (he writes) “ over the land led to the suppression of private wars among the barons and great men of feudal times, so the extension of the nation’s power to industrial conflicts will suppress, we may hope, the private wars between great employers and great unions. The King’s writ must run within the factory as well as without, and as to any injurious treatment of the King’s subjects engaged in industry. Just as employers have to obey regulations prescribing a minimum of safety, a minimum of ventilation, a minimum of sanitary arrangements, and whether the regulations interfere with profits or not, so they will have to obey laws which prescribe a minimum of sustenance for the human lives under their control, and a maximum of hours and fair conditions.” ¹

And similar reasoning is used to justify the work of the Trade Boards, which may be regarded as, in principle, extensions of the system of factory legislation.

It is not easy, as we have already suggested, to draw a line between wage regulation, which is purely protective in its intention, and wage regulation, which aims at the

¹ *New Province for Law and Order*, p. 150.

maintenance of industrial peace, but "industrial common law" can nevertheless not be regarded as exactly analogous to common law in the ordinary sense. There is no difficulty in the conception of the development of a new department of law, or even of a new system of courts, not directly subordinate to the existing system. In the church courts of the Middle Ages Europe has already had experience of a system independent of the civil courts, while mediæval industry was also regulated by special functional bodies with quasi-judicial powers.¹ But in all these the Court had only to apply a law, which was or was believed to be fixed beforehand; it is the suggestion that a Court should itself deliberately undertake the construction of a new body of law, that makes it impossible to regard the analogy as satisfactory.² The principles which an Industrial Court is expected to work out also present extraordinary difficulties. The Court should not, as Sir William Mackenzie points out, "become the sport of every gust of popular feeling, or an unreasoning worshipper of the latest craze in social theory,"³ but it must at the same time, more quickly than an ordinary court, adapt itself to the complexities and continuities of industrial change.⁴ No arbitration tribunal has yet been able to meet these difficulties with complete success. The idea of a court having for its primary function what is in effect equivalent to legislation is so foreign to the legal mind that it does not seem to occur to the writer of a legal manual on the Industrial Courts⁵ to refer even casually to the complete absence of principles guiding the decisions of the Court. The natural line of development is not necessarily the same for the settlement of industrial and other disputes, and many hold that in commercial life progress

¹ Cf. C. Delisle Burns, *Government and Industry*, pp. 124-5.

² Cf. W. S. Jevons, *State in Relation to Labour*, Chap. VII.

³ *Journal of Royal Society of Arts*, 11 May, 1923, p. 444.

⁴ Cf. R. B. Gilchrist, "Conciliation and Arbitration," *Bulletin of Indian Industries and Labour*, No. 23, p. 117. "Case law has its use in the decision of industrial disputes, but it is open to a serious danger. Industrial conditions move much more quickly than do the ordinary principles of civil life. Elasticity, therefore, is one of the chief requisites of any court which adjudicates on industrial problems, and an accumulation of case law is a menace to such elasticity, and, therefore, to the utility of the Courts."

⁵ W. H. Stoker, *Industrial Courts Act*, 1919.

is in the direction of settling disputes by methods other than litigation.

This general objection to arbitration has often been made by writers who, approaching the subject from the employers' point of view, support their position by such aphorisms as "the business office is as sacred as the home," and suggest that the regulation of the details of industry is a "function degrading to the dignity of the State"¹; this goes beyond what our argument is intended to suggest, and its fundamental soundness is not affected by such extravagances.

Scepticism about the possibility of working out an "industrial common law," with special reference to wage disputes, through the medium of an arbitration court, is not however inconsistent with the view that the development of industrial relations during the last century would have been much smoother and more satisfactory, and the necessity for much recent legislation might have been avoided, if the judges had followed the example of Lord Mansfield in developing a system of commercial law from the customs of business men, instead of adopting, as they usually did, a rigid attitude which deprived the law of master and servant of much of its flexibility,² and made it impossible to adapt it to changing circumstances. Mansfield, however, always had some sort of custom or principle on which to work, and while a more liberal-minded judiciary could have vastly improved the law of workmen's compensation, for example, it is difficult to see what it could have done in regulating the actual terms of the wage contract. In its subsidiary features indeed something was done. The law regulating giving notice to domestic servants does not depend on any Act of Parliament, but in determining the actual rates of wages custom always breaks down when the conditions of industry are changing, which is precisely the time when disputes are most likely to arise.

¹ S. N. D. North, *Industrial Arbitration Quarterly Journal of Economics*, July, 1896, pp. 420-5.

² The 1912 Minimum Wage Act for miners was partly the result of a judicial decision that the custom of paying a temporary addition to the tonnage rate in "abnormal" places had no legal force. J. W. F. Rowe, *Wages in the Coal Industry*, p. 103.

(g) **International and Industrial Arbitration.**

Writers on this subject have been much attracted by the analogy between industrial and international anarchy, maintaining that it is illogical to demand arbitration in international and to refuse it in industrial disputes. "If Labour refuses to submit to arbitration before an agreed tribunal, it disposes of the remedy, which, very properly, it desires to make generally applicable to international quarrels,"¹ expresses what to many people appears almost a truism. The language of opponents of arbitration in either case, it is true, often shows a curious resemblance. "Arbitration may work well enough when the question to be settled is purely one of more or less; but . . . on matters of principle arbitration tends to break down, since the arbitrator cannot compromise between the parties,"² might very well be a quotation from a defence of the unfettered sovereign State instead of being, as it actually is, a comment on a dispute in the Building industry. The general trend of progressive thought in favour of organization to secure international peace may incline us to regard the reasoning of the *New Statesman* with disfavour, especially when we remember that in both cases the so-called principles are often, as Mr. Clynes has said, "no more than a habit of mind, or some conception of personal dignity,"³ but it should not lead us to draw from the analogy conclusions which it does not strictly justify. In both international and industrial relations one may look for the development of a recognized body of principles, which will in many respects be comparable to the slow growth in earlier times of systems of law that are now an integral part of our institutions. But both international and industrial history show that there are more fruitful methods of stimulating the development of such principles than the procedure of an arbitration court. Those parts of the machinery of the

¹ *Observer*, 3 February, 1924.

² *New Statesman*, 17 February, 1923, p. 559.

³ *Labour and Capital after the War*, ed. S. J. Chapman, p. 19. Cf. Mr. R. Williams, Secretary of Transport Workers' Federation: "We object to arbitration on our demands, because we are fighting for a principle which is either right or wrong," *Times*, 24 February, 1924.

League of Nations which apparently have only administrative or advisory, and not judicial, functions, will probably do more than the International Court of Justice to build up a code of international law. So in the industrial sphere, it is probable that new types of machinery will have to be devised, perhaps on the Trade Board model, if a satisfactory common law is to be worked out. On subjects of far-reaching importance, law in its development must keep in fairly close touch with public opinion. On the comparatively simple principle of a living wage, there is perhaps a semblance of agreement, but beyond this there is practically nothing that can be postulated with any confidence, and even with regard to the living wage, as soon as we get beneath the surface we discover radical differences. A detailed examination of wage negotiations in particular industries reveals a large number of unsolved problems, concerning which it is impossible at present for an arbitration tribunal to make any authoritative statement. We are inclined to question not the desirability of developing an industrial common law, but the possibility of a judicial body undertaking what is essentially a legislative function.

"The use of the strike in industrial disputes . . . can be surrendered only when principles of right have been recognized ; to insist on the settlement of disputes by judicial means while no such principles exist would be to stereotype the *status quo*, and would inevitably fail because the *status quo* is unjust." ¹

It may be as reasonable to prescribe a minimum of subsistence as a minimum of safety, or a minimum of ventilation, but a minimum of safety was not, either in its principles or its details, established through the medium of a Court. A more sympathetic judicial policy might have avoided the necessity for legislation in some of these cases, but the

¹ H. Clay, *The Industrial Outlook*, ed. H. S. Furniss, p. 82. Cf. also F. L. Carleton, *Annals of American Academy of Political and Social Science*, January, 1917, "Advantages and Defects of Compulsory Arbitration," p. 154: "Since labour is struggling upward toward a higher standard of living, labour organizations look with suspicion upon any institution or method of procedure in which precedent plays a considerable rôle. Precedent for wage workers spells slavery, serfdom, or low standards of living and social inferiority."

difficulties were great, and are immeasurably greater in the regulation of wages.

(h) The Attitude of Workers and Employers to Compulsory Arbitration.

A definite decision on this point will, however, make little difference at the present time to industry, and we may therefore usefully inquire more carefully into the reasons why compulsory arbitration is now almost universally rejected in Great Britain. Some of the avowed reasons we have already mentioned, but, though it is always a risky business to attribute to people ideas of which they are not conscious, the unavowed reasons are often more fundamental than those which are proclaimed in public. The English tradition of hostility against the interference of people who have had no practical experience of industry is very strong, and especially in relation to wage regulation.

“The working class view in the main” (said Mr. Clynes) “is that the courts ought to be constituted so as to include persons who will have a practical knowledge by their past experience or association or attachment of these different industries to qualify them for giving a decision upon the questions which have to be settled.”¹

And this view was so strongly held that many would have preferred a return to the old panel of 1909 to the new Court of full-time members. Trade unionists who became public servants soon lost contact with the men whom they were supposed to represent, and were no longer able adequately to appreciate their point of view. This criticism was directed first against the general proposals contained in the Act, and later against the men officially designated as trade union representatives, one of whom in particular had been for some time detached from the trade union movement. Prominent trade union leaders refused to serve, as membership of the Industrial Court would necessarily cut them off from their unions. As a compromise between the desire for expert knowledge and the desire for continuity and co-ordination, the Court was

¹ House of Commons, 10 November, 1919.

authorized to make use of the services of assessors, and this was done in several cases.

The general attitude of workmen to compulsory arbitration will obviously depend in part on their attitude to the State as a whole, particularly as the State reveals its intentions through the machinery of compulsory arbitration. It is not surprising that in America trade unions are bitterly opposed to compulsory arbitration, when we remember that the avowed object of the creator of the Kansas Industrial Court,¹ Governor H. J. Allen, was the removal of the motive for union organization.

"I preached the doctrine" (he declared) "that if the Government could find justice for the labouring man in his quarrels, there was no reason why a labouring man should pay a percentage of his wages to keep a lot of professional leaders in easy circumstances."²

A national conference on labour matters in October, 1919, had split on the question of collective bargaining and trade unionism. The impression made on one's mind by a new institution depends very much on one's previous experience, and it is significant that to at least one American observer the most important feature of the work of the Industrial Court was the encouragement which it gave to collective bargaining, a point which the English observer might have neglected altogether. The difference in the attitude of the public outside the unions in America and in England has been attributed to the fact that while strong union organization on the railways in England was a comparatively late development, the unions in America first showed their strength in railway strikes, which caused widespread if unjustified resentment. In a country where the most powerful employers were still refusing to recognize the existence of the unions

"what could be more un-American" (asks one writer) "than this principle of collective bargaining? What could be more subversive of equal rights and free institutions than a sanc-

¹ The greater part of the work of the Kansas Court has recently been condemned as unconstitutional.

² *The Parity of the Third Part*, p. 5.

tioned conspiracy to extort more for individual service than it is worth to the fellow-worker who must pay for it?"¹

and where such employers were believed, and not without reason, to exercise a controlling influence in State affairs, every suggestion of State action that seemed likely to hamper the progress of union organization was naturally fiercely attacked, and the fact that the "essential industries" in which strikes were to be prohibited were also, on the whole, the industries in which union organization was strongest seemed to be more than a mere coincidence.²

The conditions in New Zealand in 1896 were altogether different. There the Government was very sympathetic—too sympathetic, as some thought—to the growth of union organization; the original title of the Arbitration Act was "an Act to encourage the formation of industrial unions and associations,"³ and there was no suspicion that the powers of the State were being used in a way that was harmful to the interests of the workers. In England the courts enjoyed a high and well-deserved reputation for impartiality, but the associations which had been built up around them did not extend to the members of arbitration tribunals.

"The State has never been accepted as an arbitrator giving enforceable decisions, largely because even the State itself could not be regarded as impartial, since it is so closely allied with the existing order against which protests are made which take the form of 'disputes.'"⁴

Members of arbitration tribunals were believed to be

¹ H. H. Squire, *Industrial Management*, February, 1921, p. 139.

² Cf. V. W. Lanfear, "Business Fluctuations and the American Labour Movement," *Studies in History, Economics, and Public Law*, Columbia University, No. 247, 1924, pp. 105, 223-4: "Recent court decisions and injunctions have had a very decided influence upon the general character of the labour movement. The workers feel that the courts have taken a decided stand against them and in favour of the employers. . . . It is not surprising that organized labour has lost confidence in our Government and judicial bodies. . . . The organized workers no longer look upon our courts as instruments of equity when labour disputes are involved, but rather as weapons of oppression."

³ During the 'eighties, compulsory arbitration had been demanded by one section of American labour because employers refused to meet union representatives.

⁴ C. Delisle Burns, *Government and Industry*, p. 128.

influenced by the Government in a way that would never have been dreamt of in connection with the ordinary courts. A writer in the *Economist* complained that

"the pre-war principle was to hold the balance evenly between two contestants; to-day it seems simply to be a question of which side can exert the strongest political pressure. So long as this method of dealing with labour disputes continues, conciliation and arbitration with any effective results are impossible."¹

Sir William Mackenzie maintained, and no doubt correctly, that the Industrial Court was entirely independent of any Governmental or departmental control or influence, but, as the *Nation* put it on 8 November, 1919,

"the trade unionist knows that if the worker has gradually and painfully extricated himself from the pit into which he was flung at the Industrial Revolution, it is thanks to the right to strike and to nothing else. The State does not represent to the worker either a sympathetic or a neutral force. It represents a number of powerful people like Sir Allan Smith or Sir Eric Geddes, who personify the interests against which he has struggled all his life."

Some may question this interpretation of history, but the belief here suggested was powerful in determining the attitude of the workers to the State.

Even had the members of the Industrial Court been judges in the ordinary sense, few would have felt confident that the impartiality with which they carried out their ordinary duties would or could be extended to industrial arbitration. In the one case, as we have seen, the principles were already clearly defined; in the other, they had still to be discovered, and though "judge-made" law has played an important part in English history, it had never before been suggested that the elaboration of a department of law should be deliberately left to the judges. The fact that few judges are ambitious for such a task no doubt explains in part the difficulty which Australian governments have experienced in making appointments to the Commonwealth Arbitration Court. Mr. Justice Higgins, as well as

¹ 29 May, p. 1196; 12, 19 June, 1920.

his predecessor in the Presidency of the Court, always protested against the absence of legislative guidance for his work. "It would be almost as reasonable," he declared, "to tell a court to do what is 'right' with regard to real estate, and yet lay down no laws or principles for its guidance."¹ Sir Lynden Macassey's view that "the Court ought to have been a division of the High Court"² would probably not have been approved by the judges themselves. Trade unionists, though not so hostile as in America on this ground, were jealous of any move that had the appearance of weakening the motives that kept their organizations together. This appears also in the attitude of some sections of the trade union world towards the Trade Boards Acts, and was shared in reference to arbitration by others besides trade unionists.³ These fears helped to create an atmosphere hostile to State arbitration, but there seems to be little more justification for them than for the fears that the institution of the family would decay when the State began to carry out some of the functions which many families were neglecting.

The view that the right to strike distinguishes the free workman from the slave cannot be rejected as a mere extravagance. The difficulty arises in a specially acute form in connection with Government servants and workmen engaged on other work of public utility. Those who have

¹ Cit. R. N. Gilchrist, *Bulletins of Indian Industries and Labour*, No. 23, "Conciliation and Arbitration," p. 225. Judge W. L. Huggins, who presided over the Kansas Court, and who had a much exaggerated idea of the uniqueness of the Kansas experiment, appears not to have realized the importance of this point. "We . . . have reduced the whole matter to a concrete legal enactment," he declares, "based upon the proper legal principles, and have provided the court and the code of procedure necessary to accomplish the result desired," but on closer examination, these alleged legal principles are seen to be very vague, and still subjects of hot controversy. "The Industrial Court," he agrees, "is providing for the future, and its duties are therefore legislative. . . . The Industrial Law in its completeness must be written by the Court in its opinions and orders," but he does not see that this places the Court in quite a different position from that occupied by the ordinary courts. *Labour and Democracy*, 1922, pp. 44, 72, 87.

² *Journal of Society of Comparative Legislation and International Law*, January, 1920, p. 74.

³ Cf. Ernest Aves, Report on the Wages Boards and Industrial and Conciliation and Arbitration Acts of Australia and New Zealand, Cd. 4167/1908, pp. 58-9.

urged most convincingly the impossibility of drawing any analogy between the regulation of contracts already made and the enforcement of contracts to which the parties have not voluntarily agreed, have often gone on, illogically enough, to advocate the complete prohibition of strikes, at least in work of the nature referred to above.¹ But if workmen must remain at work on terms which they do not voluntarily accept, Hilaire Belloc's contention that "the principle of a minimum wage involves as its converse the principle of compulsory labour,"² would seem to be established.³ But however difficult it may be to define the distinction between work of public utility and other work—the Kansas Industrial Court Law, for example, includes all the great industries affecting food, clothing, fuel and transportation—many people feel that such a distinction exists, and the contradiction here implied has never been satisfactorily resolved. The question of picketing does not go to the root of the matter, for in an industry which was at once well organized and highly skilled, the absence of picketing would scarcely affect the result of a general strike. At present the average worker feels that it is more important to defend what he conceives to be his liberty than to agree to measures for preserving the public safety in some hypothetical future industrial dispute, and so long as

¹ There has so far been no marked willingness to accept the ingenious suggestion of Dr. J. B. S. Haldane: "As industries become more and more closely interwoven, so that a dislocation of any one will paralyse a dozen others (and that is the position towards which we are rapidly moving), the ideal of the leaders of industry, under no matter what economic system, will be directed less and less to the indefinite increase of production in the intervals between such dislocations, and more and more to stable and regular production, even at the cost of reduction of profits and output while the industry is proceeding normally. It is quite possible that capitalism itself may demand that the control of certain key industries be handed over completely to the workers in those industries, simply in order to reduce the number of sporadic strikes in them. . . . The progress of science will ultimately make industrial injustice as self-destructive as it is now making international injustice." *Daedalus*, pp. 20-22.

² *The Servile State*, p. 172.

³ Cf. G. K. Chesterton at National Congress of Roman Catholics, Birmingham, cit. *Manchester Guardian*, 7 August, 1923: "If a man had told Will Crooks when he signed a document for compulsory arbitration what he was signing, Crooks would have knocked the man down, but compulsory arbitration, with the present unequal division of property, was the institution of slavery."

this is the case it will be impossible to enact any effective measure of compulsory arbitration. The contradiction between individual liberty and social welfare is of course only one of the difficulties which attend the translation of theories of social harmony in terms of everyday experience. The contradiction is not ultimate, but it cannot, in this or any other case, be removed merely by denying the claims of individual liberty.

(i) Awards of the Industrial Court.

The Industrial Court, being endowed with "the tradition of respect and authority acquired by the Committee on Production,"¹ naturally did much of its early work among the trades which had already formed the habit of carrying cases to its predecessors. A large number were carried over from the Interim Court, and the most important general awards during the first six months of its existence were again those for the Engineering and Shipbuilding industries, under the Agreement of February, 1917. Awards of a general character were also made for the Scottish Building trade, the Railway Shopmen, Road Transport, Explosives, Drugs and Fine Chemicals, Gas Workers, Clay and Spelter, while others dealt with district disputes of fairly wide extent. A movement away from the Court began in 1919 and continued in 1920, but this did not necessarily indicate that the Court was not carrying out the functions for which it was designed. The Soap and Candle Trade Joint Industrial Council, for example, was able to negotiate a wage settlement in May, 1920, without recourse to the Court, and it was not until the end of the year that it applied for another award. There was, however, a steady decline in the number of cases dealt with each quarter, and the published volumes of the Court's awards became thinner and thinner. Mr. Clynes was quite correct in forecasting that "in the main it will be found that the provisions for arbitration will be used by the less organized trades and industries,"² and that

¹ H. Wolfe, *Labour Supply and Regulation*, p. 303.

² House of Commons, 17 November, 1919.

too had been the intention of the Government. Two of the awards issued during the first quarter of 1920 were at the instance of a Joint Industrial Council. A reference to the index of the awards shows cases in the cotton, woollen, and mining industries, which are highly organized and did not normally use the machinery of the Court, but, except some of the awards for the woollen industry, these were usually of little significance.

The majority of the claims at this period were for increases of wages, but so long as it also had the duty of declaring legal "prescribed rates" in the sense of the Wages (Temporary Regulation) Act, the Court continued to combine the functions of a judicial body with those of a court of arbitration. Much that has already been said concerning the general character of the cases brought before the Interim Court and their classification might be repeated here without any modification. The number of cases affecting a single firm or a single corporation or other public authority was still large, and as whole groups of awards were sometimes made in precisely the same language, a statement of the number of cases considered tells us little about the number of problems with which the Court had to deal. In some cases the general intention of the Court had already been made so clear that a special reference to it seemed hardly to be necessary.

As between the Committee on Production and the Interim Court, so between the latter and the Industrial Court there was no real break in continuity. The conditions of industry were for some time similar to those of 1919, and the general lines of thought suggested by the decisions of the earlier tribunals were followed fairly closely. But the Court was feeling after a more satisfactory general theory of wages than one based merely on the cost of living, a principle which taken by itself could not be regarded as economically sound, and which was disliked by the workers as placing wages on a "fodder basis." The arguments for and against increases were on familiar lines. Increases were claimed (to quote Award No. 180 for the Engineering trade) on

" the increased cost of living ; the claim of the workpeople to a higher standard of life (or, as another union put it, ' the necessity of improving the status of their members ' ¹) ; the fact that apart from advances to meet the increased cost of living, wages had remained unaltered for a number of years ; and the present prosperity of the industry," ²

or on a comparison with higher wages paid in other trades. In at least one case the unions were shrewd enough to use the conception of wages as forces distributing the supply into the most economically productive channels. The Scottish building operatives referred to " the desirability of establishing such conditions in the trade as would ensure an adequate supply of labour," but the Court refused to grant any increase.³ Increases were opposed because : (1) provision had already been made for an admitted increase in the cost of living ; (2) the industry could not bear the expense of a further increase ; (3) output was unsatisfactory ; or (4) frequent changes of wages made it impossible to arrange future contracts. The Court often summarizes more or less completely the arguments used before it, but seldom gives an opinion either on the general soundness of the principles quoted, or on their relevance to the case in question.

The Court tended to allow increases of wages, but seldom awarded the full claim. The practice of " splitting the difference," which has often been severely attacked because it encourages trade unions to raise their claims to preposterous heights, in the certain hope of getting at least part of what they ask for, the Court occasionally adopted, but it was not elevated to the status of a general principle, and towards the end of 1920 many unions, seeing that the size of the increase which they claimed had no effect on the award, ceased in the formal terms of reference to state any exact amount. It has sometimes been suggested that the innocent employer places before the Arbitration Board exactly what he can afford to pay, no more and no less, while the cunning workman, taking advantage of his em-

¹ Award No. 460, 25 August, 1920, Scottish Horse and Motormen's Association.

² 10 March, 1920.

³ Award No. 201, 30 March, 1920.

ployer's ignorance of the technique of bargaining, asks for much more than he knows is reasonable to expect. But this view seems to attribute a more complete monopoly of the harmlessness of the dove to the one side, and of the wisdom of the serpent to the other, in wage negotiation, than they actually possess; both organizations are as a rule equally skilled in the art of haggling.¹ In at least one case, in 1893, the practice of splitting the difference was definitely forbidden,² but it would be unwise to rule out beforehand any award which on a priori grounds there is no reason to suppose would necessarily be less fair than any other.

The Court sometimes went outside the strict limits of its duty and joined in the earnest exhortations to increased output which were common throughout 1920, but it was still reluctant to make any definite and unambiguous statement of the principles which guided its awards. On the last day of 1919, for example, it made a sympathetic reference to "rates of wages in conformity with the new standards established and necessitated by the general economic conditions now prevailing."³ Every one could applaud the statement; no one could say exactly what it meant. On certain questions it was, of course, in the nature of things, difficult, if not impossible, to lay down any general rules. General rules were insufficient to determine whether changes in the wages of Londonderry engineers should follow changes in Belfast or changes on the Clyde.⁴ If wages were to be related to cost of living, the size of the

¹ It is interesting to observe that complaints about the practice of "splitting the difference" have at various times been bitter from employees as well as employers, and have also been expressed in very similar language. Cf. the objection of the Durham miners in September, 1878, that "arbitration had become a farce, that in every case the owners asked for twice as much as they expected to get, sure that the umpire would halve their demands" (cit. E. Welbourne, *Miners' Unions of Northumberland and Durham*, p. 185) with the evidence of Mr. M. F. Cahill before the Cave Committee (9 January, 1921) that "a Trade Board is an institution where workers ask for three times what they are entitled to and get two-thirds of their excessive demands."

² Rules of Board of Conciliation of Federated Districts for Mining, cit. D. Knoop, *Industrial Conciliation and Arbitration*, p. 58.

³ Award No. 48, Army and Navy Co-operative Society.

⁴ Award No. 107, 27 January, 1920.

change in the cost of living was a question of fact, and not of principle, and such questions of fact occupied much of the time of the Court. It was certainly desirable that the Court should not be too much influenced by the itch for generalization. As Sir William Mackenzie points out,

“ a foolish consistency is the hobgoblin of little minds, and arbitration would not be likely to achieve popularity or general acceptance if it were thought by the parties to a particular dispute that the issues were to be determined, not on the merits of their own case, but by reference to remote considerations with which they had nothing to do and of which they were not informed.” ¹

Nearly all the questions that have in recent years been raised in relation to wages, e.g. the stimulus to efficient management provided by high wages,² were raised in the Court at various times, and the Court frequently claimed to have given consideration to them. At the end of 1920, employers began to object to claims for increases on the ground of their effect on the re-establishment of normal ratios between different industries ; employers in the Soap and Candle trade, for example, held “ that it is unwise to deal with wage questions industry by industry owing to the effect on other trades of an increase in one trade,” ³ but it is not clear how with the available machinery wage questions could be considered in any other way.⁴

It was undoubtedly the intention of the Court to develop a system of general principles to guide its work.

“ By no ingenuity ” (says Sir William Mackenzie) “ can ‘ authority ’ be discovered for a view on the ordinary claim for an increase or reduction in a rate of wages. Yet the attempt to give shape and expression to the growing sense of social justice and to establish a recognized body of principles by which industrial questions can be judged is one that the Industrial Court may be fairly expected to undertake,” ⁵

¹ *International Labour Review*, July-August, 1921, p. 49.

² Award No. 622, 28 February, 1921, Co-operative Society Shop Assistants.

³ Award No. 592, 6 January, 1921.

⁴ For a discussion of the relation of wages in different industries, *vide infra*, pp. 234 *et seq.*

⁵ *International Labour Review*, July-August, 1921, pp. 49-50.

but he believed that "where the matters at issue often represent a tangle in which law, ethics, economics and politics are inextricably interwoven," it was impossible to expect as rapid progress as in common and criminal law, where, in fact, progress has been slow enough.

General awards were issued by the Court in March and July, 1920, for the engineering and shipbuilding industries,¹ and as they again provided precedents for other decisions, and many of the minor cases before the Court were concerned with local variations and points of interpretation raised by them, they deserve as careful attention as the corresponding awards of the Interim Court. In the first case, an increase of 15s. per week was claimed by practically all the unions connected with the engineering industry. The Court criticized the existing basis on which wages were being paid, and which divided earnings into three distinct elements, but it had no authority to change the basis. The previous award had granted an extra 5s. to meet an anticipated rise in the cost of living; the employers maintained that this had been more than sufficient to cover the increase, and complained that the reduction of hours had caused a reduction of output. The Court agreed with their contention that a revision of the basis rate did not come within the terms of the general agreement, but though this seemed to exclude increases for any other reason than cost of living, they decided to interpret the "abnormal conditions . . . due to the War," which up to April, 1920—the usual phrase later was "the abnormal conditions now prevailing," without any reference to the War—were still frequently mentioned as the basis of their decisions, in a wider sense, and on the ground that "the present position in the engineering industry is abnormal owing to the great demand for engineering products in the devastated areas of Europe and in the home and foreign markets generally," awarded a general increase of 6s. per week, to be paid in two instalments.

"During the war period, when commercial conditions were disturbed or in abeyance, the cost of living was an important factor in determining wages. Now that the markets are again

¹ Awards Nos. 180, 181, 395, 396.

open it appears to the Court that an alteration in the cost of living does not in itself necessarily warrant any corresponding alteration in wages. The remuneration of the various classes of workpeople should, in ordinary circumstances, depend on the value of the work done, and the value of the work done depends on the state of the market and the demand for the products of the workshop,"

and in the case of engineering it was held that the unusual activity of the trade justified an increase of wages. This award was attacked on both sides, but on grounds which are not convincing. The employers claimed that "the question of the relation of wages to the value of the work done is not within the scope of the reference to the Court,"¹ but whether this was technically correct or not, wages certainly must have some relation to the value of the work done. A writer in the *New Statesman*, "who had always believed that, under the wage system, remuneration was generally determined by the customary subsistence level of the class of workers concerned, modified by the supply of and demand for labour," found the new principles of the Court "alarming, not to say revolutionary."² The award, he claimed, "would make wages a sort of profit-sharing," while a writer in the *Economist* protested against "any admission of the principle that an industrial court may in effect allocate the division of profits likely to be earned by an industry without consideration of the consumer."³ The doctrine certainly opened the way for reductions later, and therefore was received with some suspicion, but even if we refrain from criticizing the view, which a German workman in 1922-3 might have regarded as absurdly optimistic, that "the customary subsistence level" is the chief factor in determining wages, it is difficult to see why the doctrine should be regarded as revolutionary. "The supply of and demand for labour," which was to modify wages, were clearly affected by the briskness of trade, which quite apart from any arbitration award, provided a strong motive for increasing wages to attract a larger supply of men. Whether the bait of higher wages did in fact distri-

¹ Cit. *New Statesman*, 17 April, 1920, p. 34.

² *Ibid.*

³ 29 May, 1920, p. 1196.

bute the supply of labour in the most economical way is another question, but there is nothing revolutionary in a rise of wages when trade is brisk, and a fall when it is dull. The Court modified the rigid test of "what the trade can bear" by the proviso that rates of wages shall not be "so low as to leave the workers without the means of an adequate and decent livelihood."¹ It was never explained what constituted "an adequate and decent livelihood," nor what was to happen if the two principles conflicted.

The refusal to grant an increase to the Drug and Fine Chemical Industry, by an award which seemed to endorse the employers' plea that "the export trade is suffering from competition from other countries, and any rise in the cost of production would still further hamper the industry,"² was similarly criticized. The "vicious and disastrous" principle was here followed, it was argued, "that two groups of workers whose claims and type of work are largely similar may receive quite different treatment on account of differing export conditions."³ But differing export conditions are surely among the most powerful groups of influences affecting the supply of and demand for labour; there is a strong case for a minimum wage, to be fixed independently of pleas of foreign competition, which always need most careful scrutiny, but such an arrangement, whether desirable or not, would in most cases have been an innovation.

In June a further claim for an advance of 6*d.* per hour was made. Although a comparison of wage movements in other trades was admitted to be relevant to the general problem of the adjustment and consolidation of wages,⁴ the Court declined, while industrial conditions were unsettled, and the effects of the War were still being felt with unequal force, to make any award on that basis. The point to which it specially directed its attention was the general condition of the trade; it found that although there was an increased activity in some sections, the general

¹ Award No. 61, Gas Workers, 12 January, 1920.

² Award No. 274, 24 April, 1920.

³ *New Statesman*, 15 May, 1920, p. 151.

⁴ Award No. 424, Railway Wagon Builders, 31 July, 1920.

position had not changed sufficiently to justify a revision of the March settlement,¹ and the claim for an increase was accordingly rejected. This was regarded in some quarters as "the turning-point in the sequence of wage negotiations,"² and the award was quoted by Sir Robert Horne in refusing a claim of the Miners' Federation. The general downward trend of wages did not, however, begin until the following year. The Court had tried to interpret the terms of the Engineering agreement as widely as possible, but it still hampered their work a good deal, and after a ballot of union members in July, 1920, it was decided to return to the pre-war methods of negotiation. The tendency to substitute a new general minimum within an industry for the flat-rate advances which had previously been added to the varying basic rates, was a further indication of the Court's desire to "revert to the pre-war practice of dealing with wages and piece-work prices,"³ and abandon the cost-of-living basis.

A brief study of the proceedings of the Court makes it easy to predict in broad outline the nature of the case presented at any time for either an increase or a reduction of wages. Although some unions "objected on principle to any scheme for regulating wages on the basis of the cost-of-living figures,"⁴ the objection is usually only to regarding cost of living as the only regulator of wages, and in most cases it will be quoted as a relevant factor. If the index number has not risen, the trade unions will explain that the prices which the average working-class family has to pay are higher than those on which the index number is based⁵; the employers will reply either that the index number is too high, because it does not make sufficient allowance for the possibility of substitution of cheaper commodities,⁶ or that the state of trade is bad. If the condition of the

¹ Award No. 395.

² Cit. *Workers' Register of Capital and Labour*, 1923, p. 22.

³ Award No. 490, Shipbuilding, 29 September, 1920.

⁴ Award No. 688, Brewery Workers, 22 September, 1921.

⁵ Award No. 727, Printing, 7 July, 1922.

⁶ Award No. 594, Army and Navy Co-operative Society, 11 January, 1921.

industry is undeniably good, the employers will emphasize the cost of living argument, or else plead that the prospects of future development are discouraging. Employers usually take the capacity of the industry as the sole criterion of wages, but when it is convenient to support the existence of local differences by reference to the absence of expenditure on travelling in small towns, and to other differences in the cost of living, they are quite ready to do so. The unions will speak of the laborious nature of the work, though, according to Mr. Justice Higgins, "discrimination on such a ground is neither safe nor sound,"¹ and much will be said about "responsibility." The employers will paint a black picture of foreign competition. The unions will claim that the changes of wages in the district, say Lancashire and Cheshire, have always followed changes in South Wales, where the wage level at the moment happens to be higher; on the north-east coast and in Yorkshire, which the employers claim have been their traditional standards, wages, curiously enough, are lower.² We shall also expect to hear frequent allusions to the "vicious circle of higher wages and rising prices"; there is indeed scarcely a single argument of general application which has not made its appearance in support of both employers and workmen. When wages were rising, trade union representatives often laid great emphasis on the advances granted to other industries as grounds for conceding their own claims, and *The Times* pointed out that "the principle [of basing wages on advances to other men] is fair as between man and man, but it is not economically sound."³ When wages began to fall, however, trade unionists deprecated comparison with other industries, while business men wrote to *The Times* urging the necessity of bringing all wages down to a uniform level. To-day it is being urged that railway wages should be reduced to the level of wages in the engineering or iron and steel trades. In 1919 Mr. Thomas was defending the N.U.R. claim for platelayers

¹ *New Province for Law and Order*, p. 8.

² Cf. Award No. 785, Electricity Supply, 10 April, 1923.

³ 19 February, 1919.

by reference to the prevailing rates for colliery shunters, flour-mill labourers and bus conductors. When the minimum wage for agriculture is under discussion, the employers have much to say about payment in kind and harvest earnings; when the argument is that railway wages should be regulated by reference to agriculture, it is left to the union representatives to bring forward these compensations.¹ Similarly the argument against selling-price sliding scales that changes in price in either direction do not necessarily measure the ability of the industry to pay higher or lower wages was used, when convenient, by both sides in the mining industry during the last century, by the owners in Scotland in 1899, and by the men in Durham in 1895.²

In particular cases there was some indication of the exact meaning of "what the trade can bear," but little from which it is possible to generalize. Gas companies, for example, were graded according to size in three groups, with a different wage advance for each,³ but a controlled monopoly was clearly in a special position, and the Court did not hold that small firms in general should be allowed to pay lower wages than their more powerful competitors. In the Lead and Zinc Mines case, for example, the Court declined to make any new differentiation between the companies on account of their financial position.

"The Court feel that any assistance in such cases by way of a differentiation of wages beyond what already exists would probably only prove a temporary expedient, and they have come to the conclusion that a decision in this case which would make such a differentiation and would bring the least advantage to the workers in mines already paying comparatively low rates of wages would involve very serious disadvantages not warranted by the uncertain possible advantages."⁴

The general policy of the Court is described in considerable detail in Award No. 521.

¹ Cf. C. T. Cramp before the Railway National Wages Board, November, 1923, N.U.R. Report, pp. 115-16.

² W. J. Ashley, *Adjustment of Wages*, p. 58.

³ Award No. 61, 12 January, 1920.

⁴ Award No. 402, 19 July, 1920.

“During the War when competition, both abroad and at home, was of considerably less importance than at the present time, there were grounds for urging that changes in the cost of living, brought about largely by the financial policy of this and other countries, should be followed step by step by corresponding changes in wages. It appears to the Court to be clear, however, that the task of restoring stable conditions of industry will be impeded, if not made impossible, if every advance in the cost of living is to be accompanied in competitive industries by a corresponding or proportionate increase in wages. Such a policy might well prevent the necessary adjustment of cost of production to the new conditions of demand and result in dislocation under which the workers themselves would suffer through short time and unemployment. In the present state of transition between the abnormal conditions of war and the ordinary conditions of peace, it appears, therefore, to the Court that some compromise is necessary between the mechanical regulation of wages on the basis of the cost of living and the regulation of wages solely by reference to the state of the market in the particular industry which might be under consideration. Increases in the cost of living must be allowed due weight as a factor in the situation, but it would be against the interests of the workers and of the whole community that claims for increases in wages on this ground alone should be pressed or conceded to the full extent that might be proper if normal economic processes had not again begun to operate.”¹

It was the avowed policy of Sir William Mackenzie to issue the awards of the Court in reasoned judgments,² but he did not wish to follow the Australian practice, where the basis of the award was usually set forth in a very systematic way. English arbitrators have carried on their work in the most informal way; they have carefully avoided the appearance of judicial dignity, and many of the most successful arbitrators have consistently and deliberately avoided committing themselves to any general statements. This tradition is maintained in the work of arbitration which still goes on outside the Industrial Court. Such was the practice of Sir George Askwith, who had a reputation for an almost uncanny facility in composing industrial disturbances. In the course of a book of nearly 500 pages

¹ Textile Workers, 8 November, 1920. Cf. Award No. 519, Glasgow Monumental Sculptors, 8 November, 1920.

² *Journal of Royal Society of Arts*, 11 May, 1923, p. 444.

he gives many interesting and valuable details concerning Industrial Problems and Disputes, but he leaves us at the end of his work not much more enlightened than we were at the beginning concerning the principles whose application gives satisfactory results in such cases.¹ Earlier arbitrators have explicitly confessed the absence of any general principle in their awards. In this connection the remarks of Judge Ellison in 1879 have frequently been quoted²:

"It is for [the employers' advocate] to put the men's wages as high as he can. It is for [the men's advocate] to put them as low as he can. And when you have done that it is for me to deal with the question as well as I can; but on what principle I have to deal with it I have not the slightest idea. There is no principle of law involved in it. There is no principle of political economy in it. Both masters and men are arguing and standing upon what is completely within their rights. The master is not bound to employ labour except at a price which he thinks will pay him. The man is not bound to work for wages that won't assist (? subsist) him and his family sufficiently, and so forth. So that you are both within your rights; and that's the difficulty I see in dealing with the question."

The Industrial Court, Sir William Mackenzie declares, has moved "considerably in advance of previous arbitration practice in this country. Its decisions are in the main reasoned decisions, not elaborate, but sufficiently explicit to show by what considerations the Court has been moved."³ A similar desire to compromise between

"the legalism of the Industrial Arbitration Courts in other parts of the Empire and the almost casual and conversational methods which have been followed in this country" [led the members of the Court to] "devise a procedure which, while sufficiently rigid to discourage slovenliness and emotionalism, would at the same time be simple, and easily mastered by those parties who desired to conduct their cases without the assistance of trained advocates."⁴

The practice of the Court of "committing itself to certain *obiter dicta* concerning the general principles upon which,

¹ The Australian Arbitration Courts usually discuss principles; the Victorian Wages Boards have never issued reasoned awards.

² Report of South Yorkshire Colliery Arbitration, Sheffield, 1870, cit. S. and B. Webb, *Industrial Democracy*, p. 229.

³ *Journal of Royal Society of Arts*, 11 May, 1923, p. 444.

⁴ *Industrial Court, Practice and Procedure*, pp. v-vi.

in the opinion of the Court, wage claims should be dealt with "¹ did not escape the condemnation of those who accepted the old tradition. Others were anxious for the development of an Industrial Common Law to be accelerated; "the first essential is that the Court should deliver considered judgments explanatory of the principles on which it has proceeded in each individual case," ² a course contrasted by Sir Lynden Macassey with the one inevitably adopted during the War, but the Court was no doubt well advised in not introducing any more radical innovations into the practice of its predecessor. That principles must, by some machinery or other, be worked out does not seem to admit of doubt. Mr. and Mrs. Sidney Webb's description of the "ideal conciliator," with its emphasis on the value of a "form of words," "a formula which, whilst making mutual concessions on minor points, includes, or seems to each party to include, a great deal of what each has been contending for," is scarcely satisfactory to people who have had five years' experience of the dismal failure of such "forms of words" and "formulas" in international negotiations. We are less confident than we were that to say that "almost before some of the slower-minded representatives have had time to think out all the bearings of the compromise the agreement is signed," is equivalent to the statement that "peace is secured." ³ Agreement reached by such methods in industry rests on foundations scarcely less unstable than in international politics.

Where piece rates were paid, it was common to guarantee to pieceworkers a total wage definitely higher than that paid to timeworkers, as some protection against the danger of rate-cutting, which often made piecework very unpopular, and the application of this practice was occasionally brought before the Court. The calculation of piece rates at a level that would ensure a wage higher than the corresponding time rate was usually allowed, but there was no uniform proportion. In Engineering, where 33½ per cent. had already

¹ *New Statesman*, 17 April, 1920, p. 34.

² *Journal of Society of Comparative Legislation*, January, 1920, p. 75.

³ *Industrial Democracy*, pp. 242-3.

been agreed to, the Court, of course, did not interfere.¹ We also find awards of 25 and 20 per cent.² and other more variable proportions.³ But it was as difficult to explain why one of these figures should be selected in preference to the others as it was to explain the basis of the grading according to age which was the custom in many trades. In the latter case it would probably be suggested that the increase based on age was roughly in proportion to increased efficiency and value of work; a wholesale provision firm objected to the grading of porters and messengers beyond the age of 23, because "all the workers being unskilled, they do not increase in value or efficiency beyond that age."⁴ The union asked for grading up to the age of 28; the Court, following the practice of an earlier award,⁵ graded the men up to 26 years, the women only to 22. From such distinctions as these no general theory can be deduced. Elsewhere the Court refused to grade the clerical staffs of certain firms beyond the age of 23 for men and of 21 for women, considering that "the case of each individual worker over such ages should be dealt with by the firm concerned having regard to his or her knowledge, experience, and ability."⁶ In the estimate of piece rates, the difficulty was to find a money measure of the inducement necessary to overcome the dislike of piecework, and a statement of this in general terms is scarcely possible.⁷ There is a similar variety in the decisions regulating overtime rates, where the higher rate

¹ Award No. 85, Packers and Sorters, 14 January, 1920.

² Award No. 86, Silk and Dyeing, Leek, 14 January, 1920.

³ Award No. 140, Coventry Silk Industry, 13 February, 1920.

⁴ Award No. 134, 11 February, 1920.

⁵ Award No. 48, Army and Navy Co-operative Stores, 31 December, 1919.

⁶ Award No. 475, Electric Fittings, 2 September, 1920.

⁷ The Trades Boards Act of 1909 provided (Section 8) that such piece rates should be paid as "would yield to an ordinary worker at least the same amount of money as the minimum time rate," but did not enforce the higher rates customary in most organized trades. The pieceworkers usually earned considerably more than the general minimum time rate, but the absence of any legal protection was recognized as an anomaly, and the Act of 1918 empowered Trade Boards to fix piecework basis time rates, which exceed the general minimum time rates. The proportion varies from 5 to 50 per cent., the usual figure being rather lower than the corresponding piece-rate percentages established in other trades. The commonest rate is 10-15 per cent. D. Sells, *British Trade Board System*, p. 131.

was intended theoretically to discourage the frequent recourse to overtime, with again the difficult task of measuring motives in terms of money. It was agreed that it was impossible to avoid overtime altogether, but according to Mr. Henderson, it was desirable to regard this as an ultimate objective.¹ This would, within limits, have advantageous results beyond the lessening of the strain on the worker, for it would do something to compel employers to keep the stream of work more steady, and therefore diminish the evil effects of seasonal trade fluctuations.

The problem of sub-normal workers arises particularly in Trade Board industries, but the Industrial Court also frequently provided that "the above rates shall apply only to able-bodied employees who are not suffering from any physical defect which would impair their efficiency."² The problem of the maintenance of sub-normal workers is strictly not a question of wages at all, but, failing better provision for them, a rigid insistence on a living wage would deprive them of employment.

The Court maintained the practice of accepting "cherished conditions and customs,"³ e.g. in prescribing payment by time or piece rates, and the limitations of industrial agreements, e.g. of female labour in organ-building.⁴ There was nothing particularly statesmanlike in this practice; no other course could safely have been attempted, but it was nevertheless likely to have a stabilizing effect on the conditions of industry. In January, 1924, the Court held that an agreement signed by a representative Employers' Association should be regarded as binding on non-associated firms, even under circumstances where a good case in equity could be made out for varying the agreement.⁵ Even where it was estimated that an increase of wages would raise prices and diminish demand for the class of labour

¹ National Industrial Conference, *Times*, 5 April, 1919.

² Award No. 148, *Stephens' Ink*, 18 February, 1920.

³ Award No. 849, *Railway Shopmen*, 26 October, 1923.

⁴ Award No. 152, 20 February, 1920.

⁵ Award No. 865, *Steelwork Erectors*. Under special circumstances, e.g. a corporation in a city entirely dependent on an industry severely hit by the depression, modifications were permitted. Cf. Award No. 881, *Lincoln Corporation*, 18 March, 1924.

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concerned, the respect of the Court, in at least one case, for "the practice of the past" was sufficiently great to induce them to refuse to vary it.¹ Though the Court in some cases expressly exempted from its awards women working under Trade Board orders,² its willingness under other circumstances to award rates higher than those awarded by a Trade Board³ was quite in harmony with the general point of view which underlies the Trade Board Acts. Questions of policy on which agreement had not been reached by the parties were often shelved by the Court. Special payments for "dirty work" were left to be settled by the custom of the trade, the exact amount to be "the subject of discussion and attempted adjustment between the parties."⁴ In the Australian Federal Arbitration Court Mr. Justice Higgins had refused to grant extra wages for unnecessary risks to life or health, or for unnecessary dirt. "No employer," he writes, "is entitled to purchase by wages the right to endanger life or to treat men as pigs."⁵ Although the Industrial Court did not interfere with agreements for the payment of "dirty money,"⁶ and settled disputes arising out of such agreements, it nevertheless showed some sympathy with Higgins' point of view. Where the dangerous nature of the work was an important factor, the Court observed that

"in so far as risks of accident or inhalation can be minimized by improved equipment and staff arrangements the Court consider that such improvements should be made, and that an increase in wages should not be regarded as a satisfactory alternative."⁷

The Court has incidentally touched a large number of other points affecting the conditions of industry, but in relation

¹ Award No. 605, Scottish Painters, 25 January, 1921.

² Award No. 358, Birmingham Women Engineering Workers, 22 June, 1920.

³ Award No. 305, Scottish C.W.S., 11 May, 1920.

⁴ Award No. 275, Glasgow Blacksmiths, 24 April, 1920.

⁵ *New Province for Law and Order*, p. 10.

⁶ Award No. 493, Chemical Trade, 5 October, 1920.

⁷ Award No. 440, Heavy Chemical Workers, 7 August, 1920. In some cases during the War an extra halfpenny per hour had been paid for work in dangerous areas.

to hours has done little beyond adjusting wages to ensure that the reductions of 1919 did not mean a loss of earnings.¹

(j) **The Industrial Court and the Trade Depression.**

The first claim for reduction of wages (which the Court rejected) was heard in January, 1921,² and later in the year more than twenty such applications were made. But as soon as the trade depression began, the number of references to the Court sharply declined. The number of awards issued up to the end of 1922 was 747. The table below shows roughly the diminishing intensity of the Court's work. The figures must not be pressed too far; the number of cases in the early months is inflated by references from the Interim Court, some of which would not have come before the Industrial Court as a voluntary tribunal, but the figures show clearly enough the small place which the Industrial Court filled in industrial affairs in 1922. The increase in 1923 was more apparent than real,

	Number of Industrial Court Awards.	Number of Trade Disputes reported to Ministry of Labour.
1919, December 12-31	49	1,605
1920, January-March	178	
April-June	142	
July-September	122	
October-December	97	
1921, January-March	49	763
April-June	27	
July-September	27	
October-December	19	
1922, January-March	10	576
April-June	6	
July-September	11	
October-December	10	
1923	113	611

¹ Cf. Award No. 234, Queenstown Dry Dock Platers, 6 April, 1920.

² Award No. 605, Scottish Painters.

for at least seventy of the cases were in effect addenda to a general award of July, 1922 (No. 728), for Railway Shopmen.¹ The submission of general wage disputes to the Court did not cease as soon as the depression began, but though the cases dealing with the Clay and the Drug and Fine Chemical trades were heard during this period, such references were rare, and most of the Court's work was concerned with details of comparatively small importance.

A reduction of wages was first ordered for Canal Boatmen, on 26 April, 1921, with the explanation that "as in a period of brisk and remunerative trade an advance is justified, so at a time of depression some reduction may be necessary and desirable in the ultimate interests of all concerned,"² but the general case for reduction was first argued on 4 May, in relation to the Clay industry. The argument on the whole was on familiar lines; the Court granted a reduction, but only in proportion to the admitted fall in the cost of living, refusing to make a heavier proportionate reduction for women and juniors, whose wages, according to the employers, had been unduly advanced as compared with the wages of men.³ Similarly in the Scottish Woollen trade, the Court accepted the proposal of the unions that wages should be reduced to the level paid previous to the last cost-of-living advance, in preference to the more drastic cuts claimed by the Employers' Association.⁴ In other cases, to make the effects of reduction less severe, the Court ordered that it should be enforced in instalments.⁵ Though the Court still followed variations in the cost of living rather closely, it was explained that "the reductions of wages at the present time do not invariably proceed upon exactly the same basis and according to the same measurements as were adopted in granting increases."⁶ Sir William Mackenzie believed that

"a scheme for the regulation of wages which has immediate reference to the state of the industry is preferable to a scheme

¹ Up to the latter part of May, the number of awards in 1924 was 55.

² Award No. 641.

³ Award No. 643, 12 May, 1921.

⁴ Award No. 671, 18 July, 1921.

⁵ Award No. 663, Flint Glass Trade, 28 June, 1921.

⁶ Award No. 684, Co-operative Union, 26 August, 1921.

the basis of which is dependent on a matter not directly connected with the industry such as a scale based on the cost of living,"¹

but where both sides wished to set up a cost-of-living sliding scale, the Court was willing to do so.² A number of points applicable to particular trades were also raised by unions in rebuttal of the employers' case for reduction, e.g. the protection afforded by the Safeguarding of Industries Act.

Even during 1922 there were one or two trades which still maintained the practice of referring wage disputes to the Court, e.g. Bobbin and Shuttle Making and Lead Manufacturing, both of which were organized in a Joint Industrial Council. A large proportion of awards, however, concerned the employees of Government departments and other public bodies, or were merely interpretations of points that had been left obscure in earlier awards. The two most important awards were issued in July, for the Typographical Association (No. 727), which had not previously come before the Court, and for Railway Shopmen (No. 728), for whom numerous awards had already been issued. Reductions of wages were usually allowed. The awards tend to state the case of either side rather more fully than before, but add little of importance; the full reductions claimed were seldom granted, but the Court usually endorsed the view that a reduction of wages would facilitate a reduction of selling prices, and so help to revive industry.³ "The rates of wages paid by an industry must be determined by the capacity of the industry to bear them."⁴

(k) The Standardization of Railway Shopmen.

The Railway Shopmen award regulated and standardized the wages of 110,000 men, and much of the later work of the Court has consisted in the interpretation and application of certain of its clauses. The problem that caused difficulty here, the employment in one establishment of men belong-

¹ Award No. 676, Bricklayers, 23 July, 1921.

² Award No. 683, Elgin Masons, 26 August, 1921.

³ Award No. 714, Bobbin and Shuttle Making, 15 February, 1922.

⁴ Award No. 727, Printing, 7 July, 1922.

ing to several independent industries, arose in many other trades, but it was especially acute in the railway workshops, because nowhere else were such large numbers of men involved, and nowhere else had the unions so clearly formulated opposing solutions of the problem. In 1920 the Court had endorsed the practice of paying bricklayers employed in ironworks according to the district trade rate, because that was already the custom,¹ but it refused to tackle the railway shopmen question until it could do so on a national basis. The National Union of Railwaymen claimed that "the railways must be looked to as an indivisible whole," and that wages for craftsmen who, though organized in engineering or building unions, worked for a railway company, should be regulated on that understanding, and not according to the district rates for their trade. It agreed with the contention of an Iron Company that "it would not make for harmonious working if the wages of the men in each trade represented in the establishment were regulated by the advances or reductions in their particular trades."² On the other hand, it was argued that an engineer or a joiner should receive the same pay wherever he was working, and the craft unions in opposition to the N.U.R. claimed that the district rates negotiated by them with other employers in the trade should be observed in the railway shops. The conflicting claims corresponded to conflicting theories of union organization, industrial or craft, and were all the more vigorously pushed on that account. The companies had offered to concede the payment of district rates, on condition that the men were debarred from railway privileges enjoyed by other grades of railway employees, and some of them had already adopted the principle, deducting a "differential," held to represent the value of such privileges, but it was found impossible to work out an agreed scheme, and the whole matter was referred to the Court.

Some companies had adopted a "line rate," operating in disregard of local circumstances, with the result that

¹ Award No. 498, 12 October, 1920. Cf. Award No. 676, 23 July, 1921.

² Award No. 425, 31 July, 1920.

men doing the same work, but for different companies, often received widely varying rates of pay. The companies as a whole now wished to establish a uniform scheme paying district rates (subject to the deduction of the "differential") to fitters and certain labourers, and adjusting the wages of other classes by reference to these two. The district rate could not be universally applied, because in many cases the work was peculiar to the railway workshops, or for other reasons no district rate existed; objections were also raised against binding railway companies and employees to the observance of decisions in whose determination they had played no part.

The Court decided in favour of standardization, i.e. of treating the railways "as an indivisible whole," compromising between the N.U.R. scheme of three geographical areas and eight grades of workmen and the companies' proposal of seven areas and sixteen grades.

"The principle of regarding railway service as an industry in itself is a sound one, and should be applied to the manufacturing side of the companies' activities. . . . Railway service should be regarded as a distinct industry to which special conditions attach."

At the same time, it was impossible to ignore the rates paid to similar workers elsewhere, and these had to be borne in mind in determining the rates for railway shopmen. With the rejection of the claim for district rates, the claim for a "differential" also disappeared. The rates actually paid varied so widely that the Court considered it inadvisable to attempt complete standardization at once, which would in many cases have meant violent changes of pay. "It was necessary, in order to maintain continuity in the industry and to produce the minimum of friction, to move slowly and with caution,"¹ and where recognized rates had not previously existed, the Court prescribed a range rather than a single figure as the appropriate rate. The whole scheme was worked out in considerable detail, though it was anticipated that many points would need adjustment later. The

¹ Award No. 849, Railway Shopmen, 26 October, 1923.

Court thought it undesirable that "alterations in rates of wages brought about in other industries by the conditions of those industries should automatically result in exactly similar changes on the railways," but as it also condemned "the mechanical regulation of wages by reference to a cost-of-living sliding scale," no attempt was made to lay down principles on which future changes of wages should be made. The form of the awards was, as one would anticipate, much influenced by the conditions established among other grades of railway workers by other machinery.¹

The award covered a more extensive field than any issued since the termination of the Engineering award, and though the craft unions are not yet reconciled to its principles, it is probably of greater permanent importance than any other award, for the standardization of engineering rates has not been maintained.

The endorsement of the claim of the industrial unions in cases like this followed logically from the principle of basing wages on "what the trade can bear." Railway wages must be regulated by conditions in the railways, and not by conditions in the engineering or building trades. The Court agreed that "the rates obtaining in the industry from which the supply [of labour] is drawn must have a very important bearing on the rates to be paid" to a class of labour commonly employed in more than one industry,² but in general applied to other cases the principles of the railway shopmen award.³ Only where the number of men was small, or the existence of a custom definitely proved, did the Court award district rates.⁴

(l) The Present Position of the Industrial Court.

During 1923 the Court did little beyond expounding the details of the Railway Shopmen award, e.g. the definition of a night shift, allowances for meals, free travelling passes,

¹ *Vide infra*, pp. 225 *et seq.*

² Award No. 785, Electricity Supply, N.W. area, 10 April, 1923.

³ Cf. in addition to Award No. 785, No. 876, Engineers in Newspaper Offices, Manchester, 4 March, 1924.

⁴ Cf. Award No. 889, Paper Cutters in Explosive Factories, 28 March, 1924.

but at the end of the year it seemed fair to say that the Court had failed to carry out the functions for which it had been created. It dealt with a few Admiralty dockyard and other Government service cases, but the finest eulogy that Lord Askwith could offer the Court was that it would be very useful in the event of another war,¹ not quite the praise that one would expect if the Court had been able to work itself

“so intimately into the texture of our industrial life that its decisions will be universally accepted as fundamental principles on which every industry can build, so that the Court will invariably be invoked by Government, employers and trade unions as the final tribunal of appeal.”²

But already in 1924 there has been an unmistakable if mild revival in the activity of the Court. The awards cover a much wider variety of industries, and in one case, the Chemical industry, application has been made for a national award.³ The revival of the Court may be associated in part with the revival of trade, and in part with the assumption of office by a Labour Government. For though there is no evidence of political bias in the Court's work, it has frequently been suggested that it is under the influence of the Minister of Labour. Similarly during the depression employers in general did not think it worth while to come before the Court, for they could easily enforce reductions without its aid, as soon as their workmen realized the disastrous futility of striking on a falling market. Workmen do not, of course, say in so many words, “There is a Labour Ministry in office; therefore let us ask the Court for an increase of wages,” any more than during the depression the employers went about saying to each other, “Let us neglect the Court; for we can get all we want without it.” But such ideas, even when they are quite unfounded, help more or less

¹ *Journal of Royal Society of Arts*, 11 May, 1923, pp. 447-8.

² Sir Lynden Macassey, *Journal of Society of Comparative Legislation and International Law*, January, 1920, p. 75.

³ Points raised during 1924 include the definition of a district, demarcation between boilermakers and sheet-metal workers, classification of machinists in railway workshops and rent for heavy troughs in the cutlery trade.

unconsciously to mould the minds of those who decide whether to go before the Court or not. Perhaps Sir William Mackenzie's statement, "It would appear that we are at the beginning of a new era in the settlement of industrial differences,"¹ was not inaccurate, but only a little premature. The Court, he said,

"began its work in the middle of industrial stress and had stood the strain; the longer it continued, the deeper its roots would go into the soil of industrialism, and the greater would be the fruit hereafter, when serious crises arose."

The reasons for the sluggishness of the Court in 1922 and 1923 lie not so much in its faults as in the violent fluctuations in industry during those years. It has been stated that the success of the Court depends "on itself and on the confidence it may establish,"² but the conditions for establishing confidence were not under the sole control of the Court. The appointment of members of the Court by the Minister of Labour, which had been regarded as a profound mistake,³ does not seem to have had any influence on the attitude of employers and employed, except in the indirect way already suggested.

With the exclusion of the highly organized industries and the trade board industries, the sphere of influence of the Industrial Court was so narrow that its decisions could make little difference to the general character and direction of wage movements. It must always be difficult for an arbitration tribunal to maintain itself during times of violent industrial fluctuation, and its chances of success are much increased, if it has a period of comparative stability in which to consolidate its position. For a long time the Industrial Court was denied this opportunity. It never ceased altogether to do some useful work; it is still a little early to give a final estimate of its value, but even if we do not accept the rosy estimates of its members, who perhaps do not view the matter from a purely objective standpoint,

¹ *Journal of Royal Society of Arts*, 11 May, 1923, pp. 445, 448.

² W. H. Stoker, *Industrial Courts Act*, 1919, p. 25.

³ Cf. Sir L. Macassey, in *Journal* previously quoted, p. 74.

it seems to have established for itself a definite, if subordinate place in the hierarchy of industrial authorities.

(m) **The Legal Status of Industrial Court Awards.**

It was undoubtedly the intention of the framers of the Industrial Courts Act that its awards should not be in any way compulsory. The number of rejected awards is very small, but in one or two cases it has been suggested that the courts might read into the agreement to submit a case to the Industrial Court more than was originally intended. In March, 1921, a claim for wages granted by the Court to the Hosiery Workers in Kilmarnock was allowed by the local Court, on the ground that when the parties to the case "through the Union and through the Association consented to the reference of the dispute between them as to wages to the Industrial Court they entered into a contract to accept the award."¹ In a similar case in Newcastle, where printers' wages had been substantially reduced, a number of compositors struck, and the chairman of the local Court of Summary Jurisdiction declared that

"the officials of the Typographical Association acted within their authority in submitting the question of a wage reduction for settlement to the Industrial Court, and that consequently the findings of such Court are binding upon all the parties of the submission,"²

and that the compositors had therefore no defence against the proceedings taken under the Employers and Workmen Act, 1875, for breach of contract in leaving their employment without giving proper notice. In reference to this case, the Minister of Labour, Dr. Macnamara, stated in the House of Commons that "unless willingness to abide by the decision of the Arbitration Court be a prior assumption in all cases, arbitration is useless as a method of settling industrial disputes,"³ but although appeals were mentioned in both these cases, the points at issue never reached a higher Court. Cessation of work without notice was perhaps

¹ Award No. 422, *Kilmarnock Standard*, 2 April, 1924.

² *Newcastle Daily Chronicle*, 12 August, 1922.

³ 26 July, 1922.

a good ground for action, quite apart from the award, but the soundness of the opinions quoted above is very questionable. They were not indeed of any great practical importance, for, as the sheriff who issued judgment at Kilmarnock remarked, "either party might have rendered the award of no avail by bringing the contract of service between them to an end by giving the customary notice to terminate it."¹ And if it was established that awards were binding during the short period of the contract of service which was running at the date of the award, parties who objected to this limitation on their unfettered freedom could always refuse to submit a case to the Court. The Printers' case is said to have made unionists less willing to make use of the facilities offered by the Court.²

¹ *Kilmarnock Standard*, 2 April, 1921.

² Mr. A. C. Walkden, General Secretary, Railway Clerks' Association, cit. *Daily Herald*, 26 February, 1924.

CHAPTER VII

COURTS OF INQUIRY AND THE COST-OF-LIVING SLIDING SCALE

THE work of the Courts of Inquiry is in theory quite distinct from the work of the Industrial Court, but both are closely related to the Ministry of Labour, and in some cases the membership overlapped. Until the beginning of February, 1924, there had been six references under the provisions of Sections 4-5 of the Industrial Courts Act, the first in December, 1919, the sixth in March, 1923. In only one inquiry, that held under Lord Shaw of Dunfermline in February and March, 1920, did questions of very general interest emerge. The other inquiries dealt twice with the organization of working shifts for Coal Tippers and Trimmers in South Wales, with the trade union membership of foremen in the electrical trade, increases in wages in the tramway industry, with special reference to limitations upon fares, and the interpretation of an engineering agreement concerning overtime, with special reference to the right of exercising "managerial functions" without interference. These inquiries affected important industries, and raised important problems, but usually in an indirect way, and not always in close relation to the regulation of wages.

The Act authorized the Minister of Labour to set up a Court, "whether or not the dispute is reported to him," but actually there was scarcely any attempt to insist on inquiry where it was distasteful to the disputants. In the first case, "the parties, having failed to arrive at a settlement, requested the Minister of Labour to appoint a Court of Inquiry"; in the second, the dockers' case, a similar phrase is used, and "agreed conditions for inquiry" were

laid down; in the third case a settlement was reached through the intervention of the National Joint Industrial Council for the Electrical Supplies Industry, and the Court issued no final report; in the fourth, a considerable section of the employers, it is true, was unwilling to arbitrate, but the minority of employers, who wanted arbitration, employed a large majority of the workpeople concerned; and in the fifth case, the Government appointed a Court only after negotiations had been carried on for some months. Desirable as it was to secure the willing co-operation of the parties to disputes to carrying on the inquiries, a meeting of a Court of Inquiry was, so far as this end was attained, merely a variant of the meetings of the ordinary Industrial Court, with more extensive powers for securing evidence, and though the Minister of Labour, with wider opportunities of inducing the parties to industrial conflicts to come together, was able to ensure inquiry where private negotiations might have failed, the work of the new Courts did not in effect differ in any important respect from the work of pre-war conciliators. The Courts were partially, but not completely, successful in terminating the disputes referred to them.

The Dockers' Inquiry of 1920 aroused considerable public interest, and deserves more careful attention. Lowness of wages was not the only, or even the most important, point at issue, for the casual nature of work at the docks was a more serious scandal, and the fact that in spite of the acceptance of the Court's recommendations on this subject, the problem was never seriously tackled, explains the continued friction in the docks since that time. The docks indeed provide the most convincing text from which to expound the case for unemployment insurance by industries. According to Mr. Bevin, the dockers' chief representative, "the employers have always had at the back of their heads that economic poverty producing economic fear was their best weapon for controlling labour," but it was agreed that the problem was complicated by the demoralizing effects of casual labour, which themselves reacted to make the docker in many cases unwilling to forfeit his so-called

"independence" by the acceptance of schemes for decasualization.

From the point of view of wages in the narrower sense the inquiry raised several questions of great interest, the problem of a living wage, the cost-of-living sliding scale, the relation of wages to output, customary differences between different grades of labour and between different localities. The case for the dockers was conducted with great skill by Mr. Bevin, the secretary of the Dockers' Union, and the presence in the trade union movement of such skilled advocates as he partly explains the objections which employers in many cases, e.g. on trade boards, have raised against the representation of unions by men not actually engaged in the trade concerned. The way in which much of the evidence was presented to the Cave Committee showed that whatever inequality of bargaining power, in one sense of the term, might exist, the advantage lay rather with the workers than with the employers. As one employer stated in discussing Sir William Mackenzie's address to the Royal Society of Arts, "even amongst those industries which were fairly well organized, there were very few employers who were capable of presenting a reasonably argued case as were the employees,"¹ and Sir Lynden Macassey makes this alleged fact the basis for an appeal for the admission of lawyers to the Industrial Court. "Many employers," he declares, "will not agree to resort to the Court, unless they are permitted to present their case by counsel. . . . With but few exceptions, employers' organizations have no such special officials on their staff" ² as trade unions have to argue their case. There have in fact been few, if any, applications to the Court for permission to use legal assistance, and the work of the Court has not been hampered on this account.

The more important sense of the term "inequality of

¹ *Journal of Royal Society of Arts*, 11 May, 1923, p. 445. Professor L. T. Hobhouse, who has been chairman of ten Trade Boards, told the Cave Committee that in general the experience of the Boards showed that there was no difference of skill in negotiation between the two sides. Minutes of Evidence, Question 9110, p. 675.

² *Journal of Society of Comparative Legislation*, January, 1920, p. 76.

bargaining power " applies, of course, not to the knowledge and negotiating skill of the parties to the contract, important as trade union organization is for equalizing these factors, but to the inequalities in economic strength. The equalization of skill in the technique of bargaining is, however, likely to be an incidental result of the growth of organization which aims primarily at equality of economic strength. Formal organization on the part of the employers is not always necessary to establish a maximum wage, so effective as practically never to be surpassed; native domestic servants in South Africa, where payment above the usual rate is regarded not only as "a sort of reproach to a master among his masters, neighbours and equals," but also as something like treachery to the white race, have probably never heard of Adam Smith, but they understand perfectly well that "masters are always and everywhere in a sort of tacit, but constant and uniform, combination not to raise the wages of labour above their actual rate."¹

The Court sat for twenty days and exhaustive evidence was submitted to it. The quasi-legal procedure adopted worked fairly satisfactorily; members of the Court seldom took any direct part in the proceedings except through the medium of the chairman, who was almost as active in cross-examination as the two opposing advocates. But one may still doubt whether the most efficient machinery for conducting an inquiry of this kind has not yet to be discovered. The method of presenting evidence and of cross-examining witnesses which is apparently inevitable is not always calculated to bring out clearly and rapidly the fundamental points. It is so difficult to isolate any one point in a wage inquiry and to reject all the others as irrelevant, that a Court working under the threat of a stoppage of work is compelled to neglect the thorough investigation of many questions which on a broader view are of great importance to its conclusions. If no dispute

¹ *Wealth of Nations*, Book I, Chap. VIII. Cf. Chairman of Oswestry Farmers' Union, April, 1915: "Some farmers were enticing labourers from their neighbours by offering them a higher wage. He thought farmers would have been too gentlemanly to do that." Cit. F. E. Green, *History of the English Agricultural Labourer*, 1870-1920, p. 244.

were feared, no doubt nobody would want an inquiry, but the most valuable inquiry would be one held when neither party was thinking of the effect of the evidence on the settlement of a dispute which now in most cases has already generated considerable heat.

The dockers claimed a minimum daily wage of 16s. for a forty-four-hour week, chiefly on the ground of their right to a better standard of life. This they wished to interpret not merely as a right to a subsistence allowance, and the application of a cost-of-living sliding scale which was believed to involve such a subsistence wage, was hotly opposed—"it places the whole of the workmen as one distinct class," said Mr. Bevin, "on the basis of an animal, basing their livelihood on food alone; and that I would never discuss."¹ Lord Shaw suggested that the most satisfactory basis for the claim was "the improved and heightened standard of life."² "Some of us," he said, "... have grave doubts as to whether you are strengthening your case by entering upon" the ability to pay,³ and there was considerable discussion of the details of the budgets offered by either side. Mr. Bevin submitted a weekly budget for a man, with a wife and three children, of £6. Sir Leo Chiozza Money, avowedly working nearer the poverty line than Mr. Bevin, suggested £5 os. 3d., while Professor Bowley defended a budget of £3 13s. 6d. outside London, or £3 17s. in London. Many of the items on either side are no doubt open to objection. To calculate the cost of food on the basis of so much per meal per person, as Mr. Bevin did, is not satisfactory, even if we take his not excessively high figures of 9d. for a man and 6d. for a woman or child. Apart from the serious objections raised against his allowances for food, Professor Bowley's budget was vague in dealing with clothing, fuel and miscellaneous items. In this connection it was inevitable that reference should be made to the index numbers of retail prices published in the *Labour Gazette*. Much of the criticism levelled against these numbers rests, as Mr. Hilton, the Director of Statistics to the Ministry of Labour, pointed out to the

¹ Cmd. 936/1920, p. 128.

² *Ibid.*, pp. 7-8.

³ *Ibid.*, p. 28.

Manchester Statistical Society on 13 February, 1924,¹ on a misapprehension of what the index number is intended to measure. "What the Ministry of Labour measured in its monthly calculations," he said, "was not the cost of living, but changes in the cost of living." It has been objected on the one hand that because no account is taken of the cheap goods sold at bargain counters or at street stalls, or at the butchers' late on Saturday night, the index number must be too high, and on the other, that because prices are not taken from the little shops in side streets, where the poorer classes of workers are compelled to buy their goods on credit in small quantities at high prices, it must be too low. But, as Mr. Hilton points out,

"there were bargain counters, butchers' Saturday nights, street stalls, and the little shops in side streets before the War as now. . . . Unless some new factors have entered in, altering the proportion of goods bought in such ways, or altering the differential gain or loss in making such purchases, the percentage change in these prices has been the same as in the case of other goods, and their inclusion in or exclusion from the cost-of-living calculations makes no difference." ²

On the assumption that "the things bought by the average working-class family are the same in gross amounts and bear the same relation to each other as they did in 1914," the published index numbers are substantially correct. Against this assumption, however, two objections of greater weight have been raised. According to Mr. Bevin, "the best classes of goods during the War have not gone up to the same extent as the commoner classes which our people were in the habit of living upon in pre-war days," ³ and so far as this statement is true, and the prices used by the Ministry of Labour were applicable to the better goods, there would be an underestimate of the increase in the cost of living. But as a compensating influence, it is held that no allowance has been made for the substitution of cheaper commodities,

¹ *Manchester Guardian*, 14 February, 1924.

² This is the answer to the observations made by Mr. Evan Williams at the Court of Inquiry on 25 April, 1924, about the effect on the cost-of-living index number of the cheaper coal and cheaper housing which, it is alleged, the miners enjoy.

³ Cmd. 936/1920, p. 22.

the cases of butter and margarine and of eggs being the most obvious during the War. While this plea was suspected as a device for whittling down the standard of living of the wage-earning classes, it aroused much hostility, but a consideration of changes over a long period shows the fact of substitution to be important, and not necessarily connected with the abandonment of articles of food on account of an increase of price or a shortage of supply. The introduction of a new commodity like tea may completely revolutionize the customary household budget, and similar difficulties arise, of course, in the construction of all sorts of index numbers. Quite apart from considerations of improvement in the standard of life, statistics, were they available, of the cost and relative importance in ordinary consumption of bread, salt meat and mead in the Anglo-Saxon period, or of the chief articles of food in common use in Elizabethan times, would give an entirely misleading idea of the change in the cost of living during the last thousand years. A similar difficulty stands in the way of any attempt to compare the present cost of living in different countries.¹

Numerous more or less authoritative inquiries have been made in America in recent years into the actual cost of living, but in England there has been no important public inquiry, and the private investigations have necessarily been limited in their scope. If such inquiries are ever systematically taken in hand, their results will need revision at fairly frequent intervals. Some scientific observers have maintained that the difficulties of calculating the minimum essential allowance of food, considered as a source of energy, have been much exaggerated, and suggest further that "in spite of the widely expressed belief that it is quite impossible to correlate the daily work done by different types of workers, nothing is more easy, provided the appropriate tests are carried out." According to the same writer, "so far as the *minimum* wage is concerned, there is absolutely no difficulty."² On one aspect of the question we must

¹ Further criticism of the Ministry of Labour retail price index number will be found in the Final Report on the Cost of Living of the Trade Unions Congress Joint Committee on the Cost of Living, 1921.

² *Nature*, 28 October, 1920, pp. 284-5.

be content to accept the testimony of the physiologists, though the evidence offered elsewhere to commissions investigating the cost of living suggests that among physiologists, as among other people, there are rival schools of thought.¹ But the problem is not settled when the number of calories that must be provided has been authoritatively laid down. It is then necessary to consider the customary methods of allocating expenditure on food, and here the difficulties of quantitative statement are greatest. For this reason definitions of a minimum wage have always been rather vague and ambiguous. It is significant that Australian and American writers are often driven back to refer to "the Australian" or to the "American standard of living,"² and one could doubtless discover similar expressions in other countries.³ And before any such calculations are likely to meet with universal or willing acceptance, it will be necessary to divide discussions of wages into compartments much more clearly defined than has hitherto been usual. In the Australian Federal Court, Mr. Justice Higgins has made some tentative advances in this direction, in distinguishing between the "basic wage"—

¹ So much has been learnt on this subject during and since the War that a layman is well advised to avoid quotation from pre-war sources. The following seems, however, to be fairly up to date: "To this question [How much Protein is required daily?] no conclusive reply has yet been furnished by physiology. This is unfortunate, for the problem is one the importance of which it would be impossible to exaggerate. It is one of the most fundamental problems in the physiology of nutrition, and until it is finally solved dietetics cannot fairly claim to rank as an exact science. . . . This question [How much potential energy should the diet contain?] being purely one of physics, is much more easily capable of exact solution, and fortunately the reply given to it by physiologists is fairly definite and unanimous." Robert Hutchison, *Food and the Principles of Dietetics*, 1922 ed., pp. 20-5.

² Cf. claim of Labour group at National Industrial Conference, Washington, October, 1919, for a minimum wage which should "insure the workers and their families to live in health and comfort in accord with the concepts and standards of American life," W. J. Lauck and C. S. Watts, *The Industrial Code*, p. 504. Cf. also Mr. Justice O'Connor, "The increased comfort of living and the higher standard of social conditions which the general community in Australia allows to those who live by labour," cit. Jethro Brown, 1 *South Australian Industrial Reports*, Salt Case, 1916, p. 6.

³ Cf. Treaty of Versailles, Section 427: "A wage adequate to maintain a reasonable standard of living as this is understood in their time and country." Most investigators are doubtless affected by the same motive which induced Adam Smith to speak of subsistence wages that are "consistent with common humanity." *Wealth of Nations*, Part I, Chap. VIII.

which is not necessarily the same as a subsistence wage—and the “secondary wage.” The problem of such division, though difficult, must be faced by any authority which attempts to lay down principles of wage regulation.

It was largely in view of the substitution caused by war-time shortage of supplies that the Working Classes Cost of Living Committee, under Lord Sumner, thought that it was desired that they “should inquire into the actual expenditure in 1914 and 1918” on the seven items, food, rent, clothing, fuel, insurance, household sundries and fares, instead of calculating directly “what would be the increased expenditure necessary in order to purchase now exactly the same foods in exactly the same quantities as in 1914”¹; the Committee declared that the latter calculation “is, under present circumstances, a theoretical calculation and does not serve to measure existing expenditure,” and its findings were frequently quoted at the dockers’ inquiry. On the basis selected, it was calculated that the average increase in the cost of living in July, 1918, was 74 per cent. of the cost of living of July, 1914, as against the increase of 105 per cent. shown by the *Labour Gazette* retail prices index number at the same date. But, however justified this procedure might be under the special circumstances of war-time shortage of supplies, it did not afford a basis for calculation any more permanent or satisfactory than that offered by a rigid adherence to the standard of life of an arbitrarily selected year. For if it is unreasonable to insist that there must be no alteration in the proportional allotment of income between various items of expenditure, it is equally unreasonable to look only at the actual expenditure, which may be limited by a thousand and one other considerations. If this were permitted, it would always be possible to reduce the cost of living by the simple device of reducing wages, for this would inevitably mean a reduction of expenditure. This was, of course, not the intention of Lord Sumner’s Committee, but there were grave objections to the general use of their results in cases to which the special conditions of 1918 no longer applied.

¹ Cd. 8980/1918, p. 4.

The recommendations of the majority of the Court, which were later accepted by the employers, approved the claim for a minimum daily wage of 16s. and refrained from setting up a sliding scale of any kind. The notoriety which cost-of-living sliding scales now enjoy is entirely due to the violent fluctuations of price, consequent upon the inflation of the currency, which have been common since the early years of the War. When the Committee on Production adopted the cost of living as the guiding principle for regulating wages, it in effect decided to apply a cost-of-living sliding scale, though not by the methods which became more familiar in many industries after the War. There are indeed frequent references in pre-war discussions of wages to sliding scales, on one occasion ecstatically described as "the greatest discovery in the distribution of wealth since Ricardo's enunciation of the law of rent,"¹ but these were related to selling prices or profits, and have nothing beyond the name in common with the cost-of-living sliding scale. The earlier type was most popular in the iron and steel trade, where it is still important, but it was not widely adopted elsewhere, because in no other industries did fluctuations of selling price correspond so closely to fluctuations in general prosperity. An inductive inquiry into the causes of industrial peace would necessarily pay much attention to iron and steel, for this industry has been disturbed by few strikes, and though the type of sliding scale used there is not favoured by the trade union world in general,² the iron and steel unions remain faithful to it. But the conditions of industries differ so much that an inductive inquiry is not likely to be very helpful here, and industrial peace will not be secured by extending to other industries the selling price sliding scale.

The public opinion of the early part of the last century would not have appreciated the case for a cost-of-living sliding scale, for though the professional economists were not always very lucid in their exposition of the relation

¹ Munro, cit. L. L. Price, *Industrial Peace*, p. 95.

² Cf. *Industrial Negotiations and Agreements*, p. 49: "The sliding scale is based on the theory that supply and demand should determine the workers' wages, while the general Trade Union view is that an adequate wage for all should be a first charge on the industry."

between subsistence and supply and demand, it was generally believed that the price of food regulated wages.¹ Adam Smith saw clearly enough that "the wages of labour do not in Great Britain fluctuate with the price of provisions,"² but according to Ricardo, "with a rise in the price of food and necessaries, the natural price of labour [which is not necessarily equivalent to its market price] will rise; with a fall in their price, the natural price of labour will fall."³ Taxes on food must raise wages automatically,⁴ and it was unnecessary to have any artificial device to ensure an inevitable result. Those who had not studied economics were less certain about the automatic nature of wage changes; in 1795 a Bill was introduced into the House of Commons by Whitbread to empower justices to fix wages, "respect being had to the value of money and the plenty and scarcity of the time."⁵ A group of Norfolk labourers petitioned in favour of the Bill, on the ground that the price of labour should at all times be proportionate to the price of wheat, and worked out in some detail a sliding scale whereby wages were to vary 1*d.* per day for every variation of £1 in the price of a last of wheat. In the case of agriculture, a cost-of-living sliding scale in which great weight is given to wheat is, of course, similar to a sliding scale based on the selling price of the product of the industry, but the petitioners, with their insistence on wheat as a "necessary article of life,"⁶ clearly did not have the latter in mind.

More interesting, however, is the anticipation of a cost-

¹ Cf. Turgot, cit. E. Cannan, *Theories of Production and Distribution*, 2nd ed., p. 232: "En tout genre de travail il doit arriver et il arrive en effet que le salaire de l'ouvrier se borne à ce que lui est nécessaire pour lui procurer sa subsistance." Ricardo, *Principles*, Chap. VI, on Profits: "It may be taken for granted that, under ordinary circumstances, no permanent rise takes place in the price of necessaries without occasioning, or having been preceded by a rise in wages."

² *Wealth of Nations*, Part I, Chap. VIII.

³ *Principles*, Chap. V, on Wages, cit. Cannan, p. 246.

⁴ Cf. *Wealth of Nations*, Part IV, Chap. II, cit. Cannan, p. 233 n., and Ricardo, *Principles*, Chap. XVI: "When wages are taxed [the price of labour] rises, because, if it did not, the requisite population would not be kept up."

⁵ J. L. and B. Hammond, *The Village Labourer*, Chap. VII.

⁶ J. L. and B. Hammond, *The Village Labourer*, p. 137.

of-living sliding scale by Joseph Lowe, a Scottish merchant, who published the first edition of his *Present State of England with respect to Agriculture, Trade and Finance, with a comparison of the prospects of England and France*, in 1822; for Lowe was not, as the Norfolk labourers were, looking backwards towards the regulative policy of the Middle Ages. He was in full sympathy with the developments of economic thought in his own time, attacking the conventional classical education of the ruling classes, and asking in reference to young men intended for public life whether it would not be "preferable to seek an exercise for their intellect in the history of our country as related by Hume, or the conclusions of political economy as exhibited in the writings of Smith or Say" rather than "confine the labours of our youth to mathematical and classical pursuits."¹ Jevons describes the book as "one of the ablest treatises on the variation of prices, the state of the currency, the poor law, population, finance, and other public questions of the time in which it was published, that I have ever met with."²

Lowe was searching for a more stable standard of valuation than gold or paper had shown themselves to be, and suggests what is practically the equivalent of a modern price index number. The monetary fluctuations during and after the Napoleonic Wars had been similar in kind to those of our own time, and in a chapter on the Value of Money, Lowe tries to work out a "Plan for lessening the Injury arising from the Fluctuations of Prices."³ It had already been seen that the price of corn was no longer, if it had ever been, by itself a satisfactory standard of reference; Rev. J. Howlett, an Essex vicar, who joined in the controversy over Whitbread's Bill in 1796, and who had proposed that legal regulation of agricultural wages should be "judiciously adapted to each county, hundred, or district in every quarter of the kingdom,"⁴ wished to substitute the prices of the necessaries of life for the price of corn, and other writers had developed similar proposals. Lowe's work, however,

¹ *Present State of England*, etc., 2nd ed. (1823), pp. 309-10.

² *Money and the Mechanism of Exchange*, pp. 328-9.

³ P. 331.

⁴ *Examination of Mr. Pitt's Speech in the House of Commons*, 1796, p. 50.

has the merit of showing a clear understanding of the relation between the proposed variations in wages and the general problem of variations in the value of money. He emphasizes "the expediency of giving, not only to our produce, but to our imported and our manufactured articles, a direct weight in the scale of calculation,"¹ for "in an age of such varied and refined expenditure a standard of a more comprehensive character ought, if possible, to be adopted."² He estimates the expenditure of a cottager and of a middle-class family in a provincial town, in the proportions quoted below, and suggests that wages and salaries should be regulated according to these proportions, at convenient intervals of 3, 5, or 7 years.

"How important" (he says) "would such a standard of reference have been throughout the last thirty years, a period of such frequent contention between the employer and the employed!

	Family of a Cottager : Expense, about £37.	Middle-Class Family in Provincial Town. Expense, £370.
	Per cent.	Per cent.
Provisions	60	33
Clothing and Washing	20	18
House-rent	6½	10
Fuel and light	10	6
Wages, assessed taxes, education, medical attendance, etc.	3½	33
	100	100

(These figures are taken from the second edition of 1823, p. 332, in which the cottager estimate is corrected. It is interesting to compare the estimate of the Sumner Report of the expenditure of an unskilled workman in June, 1914, and June, 1918.)

¹ 1st ed., p. 276.

² 2nd ed., p. 332.

	June, 1914.	June, 1918.
Total Expenditure per week . .	36s. 4d.	65s. 10d.
	Per cent.	Per cent.
Food	56	65
Sundries	3	4
Fuel and light	7	6
Rent	15	9
Fares	2	1
Insurance	6	3
Clothing	11	12
	100	100

During the War, workmen in towns were repeatedly obliged to combine for the purpose of raising their wages to the level of provisions, and in rural districts, where combination was impracticable, the poor-rate was called in to supply the deficiency. At present the case is reversed; the employer . . . has found, and will long find, it a matter of the greatest difficulty to reduce wages to the standard justified by the fall of provisions." ¹

"At a time like the present," such a scheme of adjusting wages to what we should now call the cost of living

"would relieve the inferior from much of the anxiety and humiliation attendant on reduction; and, in the case of a rise of prices, it would guide the employer to a fair advance of wages, the distributor of charitable aid to a fair apportionment of relief." ²

Variations in the price of corn and sugar were already officially recorded, and Lowe thought that the variations of other prices could be recorded in a similar way. He did not propose any governmental interference between the payer and the receiver of wages.

"The provision of the proposed measure would be all voluntary: a standard would be afforded to the public; an example of its application might, perhaps, be afforded by Government, but whether such were the case or not, the course to be followed in private transactions would be perfectly optional." ³ Such a

¹ 2nd ed., pp. 336-7.

² 1st ed., pp. 282-3.

³ 1st ed., pp. 289-90.

regulator would carry conviction to all parties, and operate greatly to abridge alteration.”¹

Just as more recent inquiries have sometimes distinguished between unskilled, semi-skilled, and skilled labour, Lowe thought that it might be found desirable to work out particular tables for particular classes. “The political arithmetician might divide our population into twelve, fifteen, or more classes.”² Lowe shows the complacency in the face of class distinctions that was characteristic of his age, but in principle, and without stressing the details, his method of approaching the subject still provides the most convincing defence of the cost-of-living sliding scale. He attributed the failure of his scheme to find its way into general practice to “the unfortunate neglect of political economy in the education of our public men, and the interest of Government, the greatest of all debtors, to allow money to undergo a gradual depreciation.”³ He tells us that “a respectable Farmer in Hampshire” applied the plan with success, but though an edition of the book appeared in both Leipzig and New York, Lowe’s scheme in its special application to wages was generally forgotten.

The general problem of variations in the value of money still attracted attention; G. P. Scrope, a member of Parliament and a prolific pamphleteer, in 1833 proposed a scheme similar to Lowe’s, though he does not appreciate so clearly the importance of weighting. He, however, says very little about the effects of fluctuations on wages and on industrial relations, stressing rather the advantages of his scheme for leases, charitable bequests and other transactions closely related to the ownership of property.⁴ The general theory of a tabular standard of money is usually associated with the name of Jevons, and with the reappearance of violent fluctuations in prices in our own time, it was inevitable that some such scheme with special reference to wages should be mooted. Those who were responsible for varying wages in proportion to the cost of living were not, however,

¹ 1st ed., p. 282.

² 1st ed., p. [100].

³ 2nd ed., p. [99].

⁴ Examination of the Bank Charter Question, with an Inquiry into the Nature of a Just Standard of Value.

as a rule conscious of the true relation between their policy and the problem of variations in the value of money. The real causes of the increase in the cost of living were very imperfectly understood, and as increases of wages were seldom defended on the real grounds which justified them, the attacks on them were also equally misdirected.

Lowe's proposals have been discussed at some length, because the circumstances of his time were similar to our own, and his reasoning is in essentials the same as that used by the best defence of the sliding scale to-day. It seems not to have occurred to him that changes in the real value of wages would ever be desirable, but in stressing the influence of changes in the value of money on wages, he showed the province within which a cost-of-living sliding scale may legitimately operate. Mr. Hilton in 1924 uses different language, but his thought is substantially the same. As he pointed out to the Manchester Statistical Society,

"the index number came into use as a factor in wage settlements, not from original design, but because employers and workpeople, feeling the need of some means for avoiding frequent negotiations for the readjustment of wages at a time when the value of the currency was fluctuating, found it ready to their hand,"¹

and the purpose of the sliding scale is misconceived, if it is supposed that its intention is to do anything more than ensure that the real value of the money wage promised in the wage contract shall actually be paid. From this point of view there is something to be said for more frequent adjustments than are usually the practice, for this would show more clearly the real nature of the sliding scale. As Mr. Hilton shows, the economists' criticism of cost-of-living sliding scales reveals a misapprehension of this fundamental purpose.

"Sooner or later, it is urged, the nation that endeavours to maintain a higher standard of living than is justified by the productivity of its people is in danger of finding itself overwhelmed by high production costs, lost markets and unemployment. [But] neither in fact nor in theory is there any

¹ *Manchester Guardian*, 14 February, 1924.

substantial ground for supposing that the introduction of cost of living clauses in wage agreements tends towards the perpetuation of a fixed standard of living. The play of economic forces in determining actual wage levels is not interfered with—taken over reasonable periods of time—by the inclusion of cost-of-living sliding scales in wage agreements. [It] is merely a device for ensuring that the real value of certain rates of wages agreed upon by employers and workpeople as appropriate to particular occupations shall not be disturbed during the currency of the agreement through unforeseeable changes in the purchasing power of money. The sliding-scale arrangement gives the wage-earner, during the currency of the agreement, the same value in food, housing, clothing, fuel, etc., that he bargained for when the agreement was made.”¹

Regarded thus as “nothing more than a device for neutralizing fluctuations in the value of the currency,” the cost-of-living sliding scale is seen to be a partial application of the more elaborate scheme for a tabular monetary standard which aims at preventing either debtors or creditors from reaping an unfair advantage from changes in the value of money; whatever objections may be raised against such schemes in general scarcely apply when they are limited to the regulation of wages.

On this interpretation the discussion of typical budgets would no longer involve “any tedious or doubtful calculation of what may be the lowest sum upon which it is possible . . . to bring up a family,”² and would aim merely at providing a basis with reference to which the commodities whose prices were recorded were to be weighted in the calculation of the index number; the preparation of a budget would accordingly cease to have the offensive appearance which it sometimes possesses to-day of an allotment to the working classes of a standard of food and other necessities, which the calculators themselves have not the slightest intention of adopting.³ The difficulty of fixing a permanent standard of

¹ Cf. Barbara Wootton, “Classical Principles and Modern Views of Labour,” *Economic Journal*, March, 1920: “So far as regulation by an index number eliminates the arbitrary influence of currency disturbance upon real wages, it is a force which helps rather than hinders the realization of old-fashioned principles of distribution.”

² *Wealth of Nations*.

³ Cf. “The working class is heartily sick of their trumpety references to calories and vitamins, also their impertinent claim to say how many slices

living, which is even greater than the definition of "normal conditions," would disappear,¹ and instead of speaking of a cost-of-living sliding scale,² we should speak of a retail-price sliding scale. The rise of wages in time of rising prices would be seen to be not a result of the general rise of price, but a part of it, and in no way dependent on any subsistence theory of wages.³ If this view were generally accepted, an automatic sliding scale could be provided for all wage contracts, negotiations for an alteration in the basic rate being carried on without any reference to the irrelevant changes in the cost of living.⁴ This would, of course, involve such a division of the wage problem as has already been suggested.⁵ Such a scheme, even without any accompanying general currency changes, would at once diminish the advantages that some individuals reap from inflation, for in its absence a rise in prices is certain to alter

of bread should be allowed to each person, or how much and what price underclothing our wives should wear." Letter to *Sydney Daily Telegraph*, 9 January, 1924.

¹ So long as wages are allowed to fluctuate without any reference to their purchasing power, it is difficult to attach any meaning to phrases like "greater stability of wages."

² The index number recorded by the Ministry of Labour is not an index number of cost of living in general, even supposing that it were possible to give a meaning to that phrase, but of the cost of living at the pre-war standard, or, more precisely, of certain selected retail prices, weighted in proportion to estimated pre-war expenditure.

³ Cf. E. Cannan, *Money*, 3rd ed., pp. 67-8.

⁴ Professor Clay suggests that the adjustment of money wages to changes in the value of money "should be done, if it is to be done automatically, by using an index number of prices in which the prices of the things that England sells have at least as much weight as the prices of the things she buys." *Economic Journal*, March, 1924, p. 11. Cf. H. Feis, *Settlement of Wage Disputes*, Chaps. VI and IX, pp. 201-7. This procedure would appear to confuse the adjustment of wages to the capacity of industry with changes of wages aiming merely at securing that the terms of the wage contract shall not be altered without the consent of the parties to it. The cost-of-living sliding scale is to be defended only so far as it enables such a distinction to be made. Improvements in the basis of the index number may indeed be suggested, but only to measure the changes in the value of money more accurately, not to obtain a less unsafe index of what industry can pay.

⁵ Cf. *Industrial Negotiations and Agreements*, p. 44: "The failure to distinguish between real wages and money wages has over and over again led the workers in the wrong direction, and the fact that a cost-of-living sliding scale does once and for all sweep out of the way the source of this confusion is the strongest argument in its favour. There is an end to all the fighting to keep money wages rising as prices rise, and all the efforts of Labour can be concentrated on raising real wages and so improving the standard of life of the workers."

the distribution of the national dividend to the disadvantage of the wage-earner.¹

A point repeatedly raised by Lord Shaw in connection with proposals for a cost-of-living sliding scale was the probable effect on output. The problem of output, it was agreed on all sides, was of the utmost importance, and it was believed that a decrease in prices could be most readily secured by an increase of output. Lord Shaw suggested that it would be difficult to persuade the dockers to increase output if any resultant advantage in lower prices were at once cancelled through the operation of a sliding scale which reduced wages in the same proportion. "We should," he suggested, "by fixing the wage give the workman a motive to increase his output, and make his wage more valuable in purchasing power."² It was, no doubt, in consideration of the principle lying behind this suggestion that the Court eventually rejected the sliding scale proposal. The last reduction of dockers' wages in 1923 was made in view of a fall in the cost of living, but this was in accordance with a special agreement made in September, 1922, when, according to Mr. Bevin, the dockers were faced with the alternative of a termination of national agreements.

Lord Shaw's idea was not a new one, but wages have usually been thought of with too little reference to their importance as an inducement to future output, and too exclusively in their relation to past effort. It would be a mistake to draw a too definite contrast in this connection between payments made to labour and payments made for capital, but on the whole the relation of the remuneration of capital to future effort has been emphasized more than the corresponding aspect of wages. No discussion of the effects of increased death duties, for instance, of a capital levy, or of other methods of taxation, can proceed far without reference to its effect on the future accumulation of capital. And it is very desirable that this aspect of the matter should be carefully considered. But the similar effects of reductions of wages are less frequently discussed. The parallel is not perhaps an exact one, and the effects to which we

¹ Cf. Marshall, cit. *supra*, p. 11.

² Cmd. 936/1920, p. 366.

refer are not entirely overlooked. Those who plead for payment by results certainly have future output in their minds, though not always with any clear idea of how it is to be stimulated, and discussions of the function of wages as a distributor of labour point in the same direction. Increased salaries for members of Parliament have been defended on the ground that they would attract a better type of man into public life, but a comparison of differential wage rates from this point of view is usually intended to suggest that the wages of unskilled men should be reduced because of the alleged lack of incentive, which a too close approximation between different grades causes, to take the trouble of training for more skilled work. When the high wages of unskilled labourers are pointed out to the indigent student, it is intended that he shall infer, not that the remuneration of the professional worker should be increased, but that the wage of the unskilled man should be diminished. This argument is not necessarily nor always unsound, and the influence on future work is not the only consideration to be noticed. The two aspects of the question cannot indeed be separated, and it may be impossible to devise any quantitative balance between the relations of wages to past work and to future effort, but it is desirable to approach wages from a point of view more nearly approaching the point of view from which the remuneration of capital is usually discussed.

The general theory of a "living wage" may be postponed until we deal with the work of the Trade Boards,¹ and the question of the relation between wages in different industries until we consider railway regulation of wages.² One other objection against standardization at a higher level than before, which the dockers' claim raised, may, however, be noted at once: its alleged interference with the normal economic function of wage differentials of directing the supply of labour into the channels where it will be most useful to the community. As the signatories of the Minority Report of the Court put it,

¹ *Vide infra*, p. 186.

² *Vide infra*, p. 234.

"The fact that work at the docks at existing rates of wages is attracting and holding more than enough men of entirely satisfactory physique appears to us to be better evidence as to whether the pay is sufficient for maintenance than any number of theoretical budgets."¹

A similar objection applies to all so-called interference with wage rates as determined by economic forces, whether the comparison be between industries, different grades within an industry, or different districts. As Chapman puts it, "Relative wages are magnets directing the flow of labour, and the 'right wage' is as much a question of what is needed for the comparative magnitudes of different lines of production in the future, as of what is a just reward."² There is, of course, a tendency for wage differentials to distribute the supply of labour in this way. The weakening of the inducement to learn a skilled trade when unskilled rates are high is not entirely mythical.³ It is claimed that the shortage of skilled labour in the building industry has been at least intensified by the emigration of men attracted by higher wages in America. But as between different industries, and to a lesser extent between different grades within an industry, the full working out of this tendency is long delayed, and before it has become completely operative, it is highly probable that a reverse tendency will commence to work, and the approximation to equilibrium at any given moment will always be extremely rough. The rapid growth of machine industry has no doubt made it easier to transfer from one industry to another, but the influence of increased wages in increasing the supply of labour for a particular industry must still operate indirectly through its attraction on young workers entering industry rather than directly through its attraction on older workmen already engaged in other trades. And the more skilled the trade the more

¹ Cmd. 936/1920, p. xxi.

² *Work and Wages*, "Wages and Employment," p. 211.

³ The proposal of the Cave Committee that Trade Board rates above the minimum should be enforceable only by civil, and not by criminal, proceedings has been criticized on the ground that by providing an opening for collusion it would tend to bring the actual skilled and unskilled rates so close together that there would be insufficient inducement to enter the higher grades. D. Sells, *British Trade Board System*, p. 255.

marked will be the time-lag between the increase of wages and the increased supply of labour which it attracts. The wise parent, moved solely by self-interest—or family interest—will, if his knowledge be perfect, introduce his son, not into the trade which at the moment is paying the highest wages, or offering the greatest net advantages, among those which are conventionally regarded as open to workers of his training and education, but into that which is expected to offer the greatest net advantages at the time when his son will be earning a full wage. But even the expert has very little idea of the probable course of fluctuations of wages and employment, and except for some vague and probably very one-sided notions about a few individual trades, the ordinary parent has nothing to guide him but his own knowledge of the existing circumstances, which will in nearly every case be extremely imperfect. This means that by the time his son has become a skilled tradesman, it is quite possible that the trade which was booming when he entered it has become depressed, and that, if his labour were perfectly mobile, he would at once migrate to some other industry. The present position of the engineering and shipbuilding industries illustrates this very clearly. The high level to which wages were forced by the rapid increase in the demand for labour was exactly what one might expect from the operation of the forces of supply and demand. But the result now is that a supply of labour has been attracted into these industries so large that there is little hope of its ever being completely absorbed again, if its present volume is maintained. Entrance into these trades is now presumably being discouraged by the low rates of pay¹; and as the skilled workmen of a few years hence should be receiving their training to-day, the engineering industry may at a later period be faced with a shortage of skilled labour.

It would, of course, not be difficult to caricature in quite an unfair way the attractive force of wage rates in deter-

¹ Actually the flow of labour into the engineering industry continued throughout the first years of the depression, 1921 and 1922. The number of insured persons increased from 1,043,000 in January, 1922, to 1,066,000 in September, 1922.

mining the choice of an occupation ; the view which we are criticizing does not presuppose at all that every worker engages in a careful calculation of pleasures and pains before choosing or changing his occupation. The economist who is reproached because his laws do not give a certain guide in every individual case may with some justice make a reply similar to that of Mill to the objection that there is no time to calculate the consequences of each separate action. " There has been ample time," he replies, " namely the whole past duration of the human species. During all that time mankind has been learning by experience the tendencies of actions ; on which experience all the prudence, as well as all the morality of life, are dependent." ¹ The influence of these calculations concerning wages need only be at all obvious in the case of the " marginal men." But it is still quite fair, without resort to caricature, to criticize the excessive value attached to such influences, and the tendency to exaggerate the economic harmony that they produce. Many other frictional forces are of course at work as well, hindering the more rapid redistribution of labour, and in addition to these more normal frictional forces, the administration of unemployment insurance, however desirable and essential it may be, has the undesirable effect of keeping men anchored to an employment at times when they might otherwise leave the industry, with great advantage to themselves and to the industry. But apart from these other forces, the influence of wage differentials in ensuring an economic distribution of labour operates, especially during times of violent fluctuation, in a very clumsy and imperfect way.² The actual movements of labour are affected by many other influences, and Mr. Layton holds that so far as there has been any general transference of labour, it has not been from trades where wages have hung back to those in which they have risen,

¹ *Utilitarianism*, Chap. II.

² The Report of the Committee of the National Housing and Town-Planning Council on the shortage of skilled labour in the building trade includes some interesting evidence on this point. *Manchester Guardian*, 25 February, 1924. Statistics are said to show that there is always a shortage of men in the building trade when they are badly needed, and an over-supply when business is slack.

but in the opposite direction.¹ This argument, it may be conceded, does not necessarily establish the superiority of "regulation," but it reduces the force of the presumption in favour of "non-interference."

The possibility of paying the 16s. minimum was said to depend on increased output, and the Court accepted Mr. Bevin's assurances that he would urge members of the unions to co-operate in securing this result. *The Times* complained that "the Report makes increased output a condition of granting the wage claim, and utters a strong warning on the subject; but the Court had nothing before it to justify the risk except verbal assurances and vague hopes,"² but it is not easy to see what other sort of assurance it could have had. Controversies concerning output are notoriously inconclusive, and from the evidence tendered to the Court it was soon seen how difficult it was to present figures that provided a really satisfactory basis for comparison. A general survey of the last six years suggests that output is not so closely related to wage fluctuations as many people supposed, either in the sense that "output has gradually reduced corresponding with the amount of money the men receive,"³ or in the sense that piece rates keep

¹ *Introduction to the Study of Prices*, p. 97. Cf. Marshall, *Principles of Economics*, 8th ed., p. 571: "The supply of labour in a trade in any one generation tends to conform to its earnings not in that but in the preceding generation." Closer attention should also be given to the practical question of how actual living concrete men, who are not merely drops in a "supply of labour," can secure entrance to a trade where high wages are alleged to attract large supplies of labour. Employers would no doubt have a wider range of selection and thereby secure a higher average level of efficiency. But in many industries, if all the existing posts are already filled, the attraction of high wages must be altogether ineffective and cannot alter the employment of a single man. In the railways, e.g. where wages are alleged to be unduly high, the number of men employed diminished from 736,000 in January, 1921, to 681,000 in November, 1923. (Mr. Clower, "Railway National Wages Board," *N.U.R. Report*, p. 126.) The influence of the frictional forces is obviously increased, if there is no sliding scale to correct the variations in the value of money. "If the temporary disparity [of wages] is due to unrecognized monetary causes, the attraction or expulsion [of labour] is as arbitrary as its cause. Labour is directed to the different parts of the economic system by sign-posts upon which the money machine has played a practical joke." Barbara Wootton, "Classical Principles and Modern Views of Labour," *Economic Journal*, March, 1920, p. 53.

² 1 April, 1920.

³ W. Fenton, chairman of Humber Employers' Sub-Committee, evidence to Dockers' Court of Inquiry.

output at a high level, but depends much more on a complex variety of changing motives and feelings, which together constitute the mind of industry as a whole. Many employers who have experimented with the various elaborate systems of premium payment which are intended to stimulate output have discovered that the results cannot be foretold merely by working out a mathematical equation.¹ As the *Report of the Federated American Engineering Societies on Waste in Industry* (1921) puts it,

"Special wage methods are almost wholly futile in the absence of standardization and system in the work ; production standards and proper control of work will, without any special wage method, accomplish a large part of the desired result. A danger lies in assuming that clever devices can take the place of good management." ²

The exponents of scientific management grossly exaggerate the importance of their discoveries for economic theory: they "have not discovered a law of wages ; they have simply elaborated a method of wage payment." ³ "No matter what the method of wage payment, the question of output will be largely one of mutual confidence, of tact, and of fair dealing." ⁴ The peculiar conditions of 1919-20 intensified the time-lag in the effects of changes of hours and working conditions on output, which always makes it impossible to measure their full results immediately after the change has been made.

Sir Lynden Macassey during the proceedings of the Dockers' Court of Inquiry observed to the President of the Court that

"it must be apparent to any person who comes into this Court and has heard the way matters of acute industrial controversy are discussed between the respective sides, and between the two sides of the Court, that there is a very great future ahead of conciliation machinery such as is exemplified by your Lordship's Court." ⁵

In fact, the successive occupants of the office of Minister

¹ Cf. Paul F. Gemmill, *A Survey of Wage Systems, Industrial Management*, October, 1922. Cf. also A. C. Pigou, *Principles and Methods of Industrial Peace*, p. 47: "In the last resort mechanical analogies must give place to biological."

² P. 26.

³ H. Feis, *Settlement of Wage Disputes*, p. 43.

⁴ *Ibid.*, p. 143.

⁵ Cmd. 936/1920, p. 464.

of Labour did not see fit to make any wide use of the powers that had been conferred upon them, and between March, 1922, and February, 1924, no important Court of Inquiry was appointed. The Minister was occasionally reminded of the existence of the Industrial Courts Act, but usually by people who were not directly concerned with industry, and without considerable pressure from either employers' or workers' organizations, it would have been difficult to induce a Minister to take steps which he would not have taken on his own initiative. It was feared that too frequent recourse to the provisions of the Act would lessen the chances of parties to disputes settling their difficulties themselves. The memory of the fate of the Report of the Sankey Commission and of the recommendations of the National Industrial Conference did not encourage trade unionists to spend their energies in other inquiries of a similar kind, while the evidence before the Sankey Commission and the Dockers' Court of Inquiry had not established the efficiency of the ordinary methods of conducting private business as decisively as the employees would have liked. Thus neither side was enthusiastic about holding inquiries, and for nearly two years Part II of the Industrial Courts Act, which at the time of its passage had been hailed as providing an opportunity for making "an end of secret diplomacy in industrial matters,"¹ remained practically a dead letter.

Under the new Government of 1924, the power of the Minister of Labour to insist on inquiry has been more frequently exercised, and several important Courts have already been set up. The appropriate moment for ministerial interference is, however, still a doubtful point. It must depend in part on the nature of the machinery for negotiation which each industry already possesses. In two cases a Court was not appointed until a strike had actually begun. The elaborate machinery of the coal industry has made it possible to avoid this, and their case illustrates the importance of maintaining a close connection between the work of the conciliation machinery of the Government and of the internal organization within the trade.

¹ Mr. J. M. Hogge, House of Commons, 10 November, 1919.

CHAPTER VIII

THE TRADE BOARDS AND A MINIMUM WAGE

IT is the custom in British affairs for changes in the general direction of policy to be preceded by a long, if not always systematic, discussion of the problem that calls for reform, and the change which was signalized by the passage of the Trade Boards Act of 1909, under the guidance of Mr. Winston Churchill, was no exception to this rule. It is also the custom for those who are responsible for such legislation not to realize fully the revolutionary nature of the change, and this custom too was followed in the case of the Trade Boards. The problem of "sweating" had been before the public continuously at least since the issue of the House of Lords Reports on Sweating in 1888-90, but for a long time many continued to deny that the legislation of 1909 was an effective breach of the tradition of non-interference with the sanctuary of private wage-negotiation; it was only the rather super-heated atmosphere of war-time idealism that induced such people to agree to the amending Act of 1918, which made it possible to establish Boards, not only in trades where the rates of pay were unduly low, but also in all in which no adequate machinery existed for the effective regulation of wages throughout the trade, and without formal confirmation by Parliament. There is already a considerable literature on the work of the Trade Boards, and it is therefore unnecessary to discuss here all the interesting points which their work suggests. A few general observations should however be made, both because of the intrinsic interest of the Trade Boards and because of the close interaction between the general trend of thought on wage questions in recent years and the history of the Trade

Boards, from their rapid extension immediately after the War, the general rise of board-regulated wages during the boom, the violent agitation against their work as soon as prices began to fall, to the Report of the Cave Committee and the cessation of the movement for further applications of the Trade Boards Act.

There is a slight danger indeed of contrasting too sharply the industrial policy of to-day and the industrial policy of a century ago. "However wholeheartedly we may accept a new doctrine, our legislation is never logical,"¹ and the new doctrine is never applied as wholeheartedly as it has been accepted, so that even when the influence of the *laissez-faire* philosophy was at its height, the Truck Acts retained a place in the Statute Book, though the arguments directed against proposals for interference with individual liberty in other directions applied with equal force to them. In this case the counter-current of opinion was effective, not only among those who still followed the old lines of thought, but also among the most sturdy advocates of the thorough-going *laissez-faire* doctrine. More logically-minded judges in America have often condemned such legislation as unconstitutional, "an insulting attempt to put the labourer under legislative tutelage, which is not only degrading to his manhood, but subversive of his rights as a citizen of the United States."² In 1909 and 1918 the *laissez-faire* philosophy had ceased to be predominant, and had itself become a subordinate counter-current of opinion. It is true that the Act of 1909 had been avowedly an experiment. The Select Committee on Homework in the previous year had reported in favour of the general principle of fixing statutory minimum wages for homeworkers, but because such action would be a new departure in industrial legislation, it was further recommended that the general principle should first be applied for purposes of observation to a few comparatively small trades,³ a course of "Baconian legislation" such as had been recom-

¹ F. Tillyard, *The Worker and the State*, p. 20.

² Judgment of West Virginia Court, 1889, cit. R. G. Paterson, "Wage Payment Legislation in the United States," *Bulletin of U.S. Bureau of Labour*, No. 229, December, 1917, p. 99.

³ Cd. 246/1908, p. xv.

mended long before by Jevons.¹ Deductive reasoning was not to be accepted until it had been fortified by experiment. But though there are some who, even in 1924, look back with regret to the sturdy, if cold, economic faith of their grandfathers,² the substantial accuracy of the contrast between the two periods cannot be questioned. When we turn from the Committee on Petitions of Artisans in 1811 with their opinion that

“no interference of the legislature with the freedom of trade, or with the perfect liberty of every individual to dispose of his time and of his labour in the way and on the terms which he may judge most conducive to his own interest can take place without violating first principles of the first importance to the prosperity and happiness of the community, without establishing the most pernicious precedent, or even without aggravating, after a very short time, the pressure of the general distress, and imposing obstacles against that distress ever being removed,”³

to the debate on the Trade Boards Act of 1918, when even the member who moved the rejection of the Bill was careful to add that he had “absolutely no quarrel with the general principle of wage boards,” and the declaration of the Ministry of Reconstruction in 1919 that “one thing is certain. The question of wages will never be allowed to return to the position of ten years ago when the Government had no concern in it,”⁴ we enter a new world of thought.

We have already discussed some of the steps taken to stop the fall of wages which it was feared would take place after the War. The wages of women, which had during the War been directly under Government control, had probably risen

¹ *The State in Relation to Labour*, pp. 23-8.

² A thorough-going philosophy of *laissez-faire* was preached as late as 1901 by Mr. T. S. Cree at the meeting of the British Association in Glasgow. Cf. *Business Men and Modern Economics*, pp. 18-19: “To anyone who thoroughly believes in [the law of supply and demand] it is the universal rectifier of all economic inequalities, injustices and anomalies. To him there is no problem of distribution. Distribution is automatic, fairly determined by the law in the process of production. . . . The law of supply and demand . . . is omniscient, nothing escapes it; and it is omnipotent, nothing can for long resist it.” But even in 1901 no doubt the doctrine sounded as strangely as an exposition of the Ptolemaic hypothesis would be to a modern astronomer.

³ Cit. S. and B. Webb, *Industrial Democracy*, p. 249.

⁴ Pamphlet on *Reconstruction Problems*, No. 19, p. 14.

a little above the level to which the free play of economic forces would have driven them, and it was feared that the fall would be especially severe in their case, from the competition that would result both from their return from munition work to their old occupations, and from the return of the demobilized men from the Army. A sub-committee of the Reconstruction Committee accordingly recommended in 1917 that women workers should be protected by the extension of the Trade Boards, while the Whitley Committee also recommended that the machinery of the Trade Boards Act should be applied to "industries in which . . . no association can be said adequately to represent those engaged in the industry," and where therefore the establishment of a Whitley Council was for the time impossible.

"The Trade Boards should be regarded as a means of supplying a regular machinery for negotiation and decision on certain groups of questions, dealt with in other circumstances by collective bargaining between employers' organizations and trade unions. . . . They should be empowered to deal . . . with hours of labour, and questions cognate to wages and hours . . . and to initiate and conduct inquiries on all matters affecting the industry concerned,"

and it was anticipated that when organization had improved the machinery of the Whitley Councils would be substituted for the Trade Boards.¹ These recommendations, it should be noted, had no special reference to the employment of women.

The new Act of 1918 did not confer such wide powers on the Boards as the Whitley Committee had suggested, but it occupied a definite place in their scheme for the reorganization of industry. The recommendations of the Committee of the National Industrial Conference in April, 1919, included the immediate establishment of Trade Boards in less organized industries and provisions for facilitating and expediting the procedure of the Act,² and it was clearly intended that the Boards should serve as general regulative agencies for all grades of labour within the trade with which they are concerned. The question asked in the Report of

¹ Cd. 9002/1918, pp. 3-5.

² Cd. 139/1919, p. 9.

the Cave Committee, "Is it desired that [the coercive powers of the State] should be applied (through the medium of the Trade Boards) to the general regulation of wages?" would undoubtedly have been answered in the affirmative in 1918, though the Committee held the correct view to be that the use of such powers should be limited to prevention of "unfair oppression of individuals and the injury to the national health that results from the 'sweating' of workers."¹ The Report of the National Industrial Conference Board from Boston, which examined industrial conditions in Europe in 1919, gives not the slightest hint of criticism of the expansion of Trade Boards, which was then going on. There was a great deal of talk about the necessity of establishing a living wage, and the idea met with little overt criticism.² The number of new Boards rapidly increased until in 1921 it reached 63, covering 3,000,000 workers, 70 per cent. of whom were women. Doubt has been expressed whether the Act "has in fact been applied to any trade to which it could not have been applied under the conditions of the 1909 Act,"³ but it is not disputed that the new Act made it easier to get Boards established.

Whatever may be thought of the recommendations of the Cave Committee in April, 1922, and of the evidence on which the recommendations were based, its proceedings provide very valuable material both for appraising the work of the Trade Boards and for the wider task of interpreting the thought of the time in relation to the regulation of wages. For some months during 1920 wholesale and retail prices had been moving in opposite directions, so that while employers were anxious to reduce costs, the workers, in view of the continued rise in the cost of living, were strongly opposed to any reduction of wages. During this period and in 1921 there was a strong newspaper agitation against the

¹ Cmd. 1645/1922, p. 26.

² Cf. Sir L. Macassey, *Times*, 11 March, 1919, "There will never be harmony unless and until remuneration adequately allows for family subsistence at the current cost of living, comforts and amenities of life and trade skill."

³ Mr. J. J. Mallon and Miss M. J. Symons, *Minutes of Evidence, Cave Committee*, p. 861.

work of the Trade Boards, who, it was alleged, were increasing the volume of unemployment by keeping wages at an artificially high level. The formalities required by the Act meant that changes in wages could not be enforced except after considerable delay, and in some trades there was a good deal of friction, though it was observed that many employers, who believed that they had a grievance, instead of attempting to find a remedy through the Board itself, at once began to agitate for the complete abolition of the system, whose potentialities they had only imperfectly tested. The remark of a union organizer that "trade depression has sadly altered the drapers, and the light of a vision has faded from their eyes,"¹ might have been applied to many beside drapers. In one important case, the Grocery trade, it was found impossible to fix a rate which the Minister of Labour would confirm. In these circumstances, a Committee was appointed in September, 1921, with Viscount Cave as chairman, "to inquire into the working and effects of the Trade Boards Acts and to report what changes, if any, are required."² Evidence was heard from officials of the Ministry of Labour, appointed members of the Boards, and representatives of employers and employees. In view of the fact that no evidence could be tendered to the Committee showing the effect of Trade Boards on the grocery trade, the attention paid by the Committee to this industry appears to have been excessive, but it was found that the opinion even of employers against the operations of the Boards was neither so overwhelming nor so unanimous as some newspapers had endeavoured to represent. The hopes of those who desired the complete repeal of the Acts were therefore disappointed; upon the whole the Committee "turned out to be a Balaam which, after a muttered curse, proceeded in the main to bless."³ It reported that,

"speaking generally, Trade Boards have succeeded in abolishing the grosser forms of under-payment and regularizing wage conditions. . . . [They] have afforded protection to the good

¹ Mr. P. C. Hoffman, *Minutes of Evidence*, p. 601.

² Cmd. 1645/1922, p. 4.

³ *Manchester Guardian*, 12 May, 1923.

employer, able and willing to pay a reasonable rate of remuneration, from unscrupulous competitors prepared to take unfair advantage of the economic necessities of their workers. . . . The operation of the system has contributed on the whole to the improvement of industrial relations . . . and led to a strengthening in organization on both sides.”¹

In addition, however, to recommending some improvements in machinery, which it was generally agreed were desirable, the Committee also recommended, in effect, a return to the conditions of 1909, limiting the Boards to trades where both an unduly low wage prevailed, and there was “a lack of such organization among the workers as is required for the effective regulation of wages in the trade,” and then only after a public inquiry.² Under the 1918 Act, either of these conditions by itself was sufficient. Rates of pay for workers above the lowest grade should be determined, if at all, by agreement without the votes of the appointed members, and were to be enforceable by civil, and not by criminal, proceedings.³

The evidence given before the Committee brings to light the difficulties of reconciling the two standards of wage regulation, wages adjusted to the needs of the wage-earner, and wages adjusted to the capacity of the industry to pay them. The clearest realization of the difficulties of the situation and the most far-sighted attempts to meet them are to be found in the evidence of some of the appointed members.⁴ The Acts themselves had given no hint of the principles which were to guide the Boards in fixing rates. The Corn Production Act of 1917 provided an analogy, and directed that

“the Agricultural Wages Board shall, as far as practicable, secure for able-bodied men wages which in the opinion of the Board are

¹ Cmd. 1645/1922, p. 23.

² *Ibid.*, p. 27.

³ Rates awarded in accordance with the Coal Mines (Minimum Wage) Act of 1912 were enforceable only by civil proceedings, and without any inspectorate, but the workman in that case had behind him one of the strongest union organizations in the country. The minimum rates fixed in France for female home-workers are also enforceable only by civil proceedings, but certain associations for the protection of workers, as well as their own unions, where such exist, have the right to take action.

⁴ Cf. D. Knoop, “Legal Minimum Wage,” *Discovery*, December, 1920.

adequate to promote efficiency, and to enable a man in an ordinary case to maintain himself and his family in accordance with such standard of comfort as may be reasonable in respect to the nature of his occupation.”¹

But the proviso “so far as practicable” clearly leaves the conflict unresolved. If it is not practicable, i.e. if the trade is unable to pay a wage based on the principle suggested, though very vaguely defined, what course is to be taken? The Trade Boards Acts neither referred explicitly to the standard of a living wage nor made any such provision as was contained in the Victorian Act of 1903 for appeals against any determination “which has had or may have the effect of prejudicing the progress, maintenance of, or scope of employment in the trade or industry affected,” though the latter considerations would doubtless be in the mind of the Minister of Labour in deciding whether a rate was to be confirmed. When legislators give regulating authorities any hints of guidance, the two principles are usually given the same importance, regardless of the fact that they may be quite incompatible. The Cave Report leaves the position at this point pretty much as it found it.

“The Trade Board system” (it is declared) “should be directed, first, to giving protection to the workers in each trade by securing to them at least a wage which approximates to the subsistence level in the place in which they live, and which the trade can bear; and, secondly, to use the machinery established for that purpose in encouraging the improvement of relations between employers and employed and the development of trade organization.”²

But what, we ask again, is to be done if the wage which the trade can bear does not approximate to the subsistence level in the place in which the workers live?³

¹ A similar formula is to be found in the Agricultural Wages Bill of 1924.

² Cmd. 1645/1922, p. 28.

³ Ryan gives ten definitions of “contents” of a living wage. Cf. *A Living Wage*, pp. 127–31. The Coal Mines (Minimum Wage) Act of 1912 makes no reference to a living wage, and directs that Boards “shall have regard to the average daily rate of wages paid to the workmen of the class for which the minimum rate is to be settled” (Section 2). Similarly the French Minimum Wage Law explicitly rejects the living wage theory, aiming only at securing for home-workers the rates paid to other classes of worker in the same industry.

Indirect evidence of the intention of the legislature with regard to a minimum wage may sometimes be found in laws affecting debtors. American discussions of the subject frequently raise this point, and in New Zealand an Act of 1895 permitted only the surplus above a weekly wage of £2 to be hypothecated for debt.

The doctrine of a minimum wage calculated on the basis of the needs of the normal individual rests on two broad foundations : firstly, the inability of a worker who has received less than that wage to reach either a proper level of efficiency in his work, or that standard of intelligent citizenship which is essential in every community, and especially in a community which aspires to be democratic ; and, secondly, the incentive which the payment of such a wage provides to sluggish and half-efficient employers to overhaul their organization and carry on their business in a more competent way. For its reaction on the value of the contribution of the individual to the life of his society, we may, if we like, quote the authority of Aristotle, though perhaps with a different intention from that which he had in mind. " It is clear," he says, " that happiness requires the addition of external goods ; for it is impossible, or at least difficult, for a person to do what is noble unless he is furnished with external means." ¹ And whether Aristotle would have approved the application or not, the fundamental basis of the doctrine of a living wage is to be found here. The purely individualistic claim of a right to live, or a right to work, is scarcely intelligible, unless it is correlated with the notion of the individual making a contribution to the life of the society, which both makes his own life possible and is itself nothing apart from the lives of individuals such as he, an interpretation which enables us to correlate the doctrine of the living wage with the general doctrine of the rights of property which, so far as they exist, are rights because they contribute to a common welfare.

The economy of high wages which is here suggested is not quite the same as that which sometimes appeals to individual employers. For them the advantages of high wages may be

¹ *Nicomachean Ethics*, Book I, Chap. IX, Welldon's translation.

possible only on condition that their rivals do not come quite to the same level, for they are thereby enabled to select the best men in the industry and more than recoup themselves for their extra outlay on wages. We are here thinking of a direct reaction upon the worker himself, and not of something which enables employers to substitute more efficient for less efficient men. For the reaction on the efficiency of the worker we may have to wait some time. As we have seen, efficiency cannot be calculated as the resultant of merely mechanical forces, and there must obviously be limits to the favourable effects of increased wages on efficiency and output. Nevertheless the history of the Trade Boards, so far from proving that "a wage based on standard of living having, *ex hypothesi*, no relation to the value of the work, is fatal to efficiency and increased production,"¹ has shown already in not a few cases that such favourable effects are real, and are likely in the absence of other unfavourable conditions to be general. Both the physical and the psychological effects which Professor Pigou allows as possible results of an increase of wages² were recognized by Adam Smith. "A plentiful subsistence," he says, "increases the bodily strength of the labourer, and the comfortable hope of bettering his condition and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost,"³ the latter influence being perhaps more powerful than "the spirit of emulation"⁴ which some modern critics of a minimum wage have emphasized. From the standpoint of output, a gradual increase has been found more effective than a sudden rise in income.⁵ We

¹ A. A. Mitchell, *Breakdown of the Minimum Wage*, p. 12.

² *Economics of Welfare*, Part III, Chap. XVI.

³ *Wealth of Nations*, Book I, Chap. VIII.

⁴ A. A. Mitchell, "Influence of Trade Unions on Wages," *Edinburgh Review*, July, 1913, p. 77.

⁵ Observations like that quoted by Mr. Layton (*Capital and Labour*, p. 173) from the account of the experience of the Bethlehem Steel Works, "it does not do for men to get rich too fast," frequently arouse irritation among men, who ask with some justification whether this principle is to be applied only to wage-earners. Recognition of the fact that industrial efficiency is not the only, nor the most important, characteristic of a workman should not, however, preclude altogether consideration of such questions.

are assuming here that the prescribed increases of wages are actually paid, that there is no evasion, and from this point of view the stimulus to trade union organization given by the Trade Boards is important, for where organization exists it is easier to detect evasion.

But it is the incentive to efficient management which the payment of a minimum wage gives that is the most striking and perhaps the most valuable feature of the work of the Trade Boards. In discussing questions of underpayment, as elsewhere, there is often a strong desire to fasten on some unfortunate individual or class whom we can enjoy the luxury of blaming : the profiteer and the middleman have often served this useful purpose. It is very consoling if we can persuade ourselves that unemployment is due to the worker's unwillingness to accept lower wages, or to go to Australia, or to keep his family within reasonable limits, for we are then absolved from any further thought on the subject and can turn our attention to more comfortable topics. In the case of low wages, the incompetent and self-satisfied employer promises to be as convenient a butt in the future as the lazy workman has shown himself in the past. But the comfortable belief that every one knows how to run his own business well is not always in accordance with the facts. It is too often tacitly assumed that the faculties which Marshall says are "required in the ideal manufacturer" ¹ are also invariably found in the real manufacturer, and that the responsibility for friction or waste must always be placed elsewhere. But it is not uncommon to hear a man at one time proclaim the stimulating effects of individual responsibility on business enterprise, and at another depict in expressive terms the inefficiency of some of his business colleagues or rivals. The struggle for existence leaves behind many who can be described as fit only by straining the meaning of that word. "The cheapness of labour is the greatest incentive for the perpetuation of obsolete methods." ² The inquiry undertaken by the American Federated Engineering Societies in 1921, on the suggestion

¹ *Principles of Economics*, 8th ed., pp. 297-8.

² *Cit. Industrial Democracy*, p. 726.

of Mr. Hoover, and the results of which are published in *Waste in Industry*, suggests that the greater part of the responsibility for waste, which is defined as "that part of the material, time and human effort expended in production represented by the difference between the average attainments on the one hand and performance actually attained on the other," with the further condition that "a given practice is not wasteful until a better has been revealed,"¹ rests in American industry with the management, though it is added that "if the management is to meet this responsibility fully, it must have the co-operation of labour."² The report attempts a quantitative estimate of the responsibility for waste, which puts to the discredit of the management a proportion varying from 50 per cent. in the Textile trade to 75 per cent. in Men's Clothing, and against Labour, from 9 per cent. in the metal industries to 28 per cent. in printing, the waste due to outside contacts, which neither management nor labour can control, varying from 9 to 16 per cent., or in the exceptional case of textiles to 40 per cent. It would, of course, be necessary to examine the statistics with great care before accepting these figures, which in any case cannot be assumed to apply to more than the six selected industries with which the report deals, but one cannot escape the cumulative force of the reports of a large number of observers, who are agreed that "the average of management is much below the standard set by certain individual executives who have achieved notable success."³ Criticism of this sort does not, of course, necessarily prove that a man cannot run his own business better than anyone else, but it does prove that it may be very desirable both from his own point of view, and from the point of view of society, to apply stimuli to him which will induce him to remedy at least the cruder varieties of mismanagement. It is not necessary to suppose that employers are as a class more stupid than any other class. There are few people who have not discovered at some time or other that they are capable of a standard of achievement of which they had never dreamt, and employers are as much

¹ P. 3.² P. 9.³ P. 10.

in need as anybody else of conditions which will bring forth their capacities to the fullest extent.

It is precisely at this point that the work of the Trade Boards is important. As the report already quoted says, "the most important function of a wage payment method is to oblige management to do its duty."¹ Or to quote the two manufacturers whose opinion Mr. E. H. C. Wethered reported to the Cave Committee,

"the average manufacturer is not a good judge of what the industry can bear in the matter of wages . . . it was surprising to find what some industries could pay when the employers were compelled to adapt their methods of doing business to higher wage rates than they customarily paid."²

The evidence of the Trade Board inspectors on this point is very striking. It was repeatedly found that firms could introduce economies in departments other than wages, the possibility of which they had never suspected, and the result of the change was to improve the position of both employer and workman. As Professor Hobhouse told the Committee,

"Trade Boards cannot neglect [the needs of the worker] in order to maintain methods or forms of production which might be replaced by better ones. Such replacement has been and will be the economic effect of all regulation of industry from the Factory Act to the Trade Board determinations, and it is this which makes the improvement of working conditions economically possible."³

The Committee agreed that, "in some instances, the enforcement of higher rates has acted as a stimulus to improvement in working methods."⁴ The presumption that more efficient management is possible is strengthened if, as was usually the case with Trade Board increases, the new rates merely level up the general rate of earnings to a point already reached by the most progressive employers.

Argument of this kind has been attacked as "just the labour counterpart of the old capitalist argument that low

¹ P. 26.

² *Minutes of Evidence*, p. 812.

³ *Minutes of Evidence*, pp. 670-1.

⁴ Cd. 1645/1922, p. 23.

wages and a high price of food acted as a stimulus to the workman.”¹ As Taussig puts it, “the bait of profit, rather than the threat of loss, has been the great motive factor in bringing about better plant, new machinery, more effective organization, increase in the productivity of industry,”² but the bait of profit is often ineffective, and though we cannot assume that the desired result will follow automatically from the threat of loss, it is at least highly probable, if the enforcement of the increased wage rates is in the hands of skilled and tactful inspectors. Increased wages awarded by the Federal Arbitration Court in Australia were at first partly met by economies in organization and management. It is stated that there is now little evidence of such changes, but this result is perhaps to be associated with the existence of a tariff wall, which makes it easier to raise prices. According to Mr. Layton, an examination of the conditions under which inventions have actually been made shows that their development is not at all closely correlated with movements in the price level. “The Bessemer process of steel production was invented when prices were rising fast—the Siemens–Martin process when they were depressed.”³ But we are here thinking not so much of the stimulus to the adoption of entirely new inventions or methods of management, as of the stimulus to low-grade employers to adopt methods which are already a commonplace among their more progressive rivals.

The evidence of Mr. W. E. Counsell, the officer in charge of the Special Inquiries Section of the Trade Board Inspectorate, may be quoted at length.

“That the enforcement of these minimum rates has resulted in most employers acquiring a greater knowledge of the details of their business is” (he says) “beyond question, and may properly be attributed to one or more of the following factors:“(a) Realization of the possibilities of increasing industrial efficiency by improved methods of working, thus maintaining rates of wages, while reducing costs of production.

¹ A. A. Mitchell, *Edinburgh Review*, July, 1913, pp. 75–6.

² *Quarterly Journal of Economics*, May, 1916, p. 426.

³ Introduction to the *Study of Prices*, p. 101.

"(b) Sympathy with the Acts and desire to carry out their provisions.

"(c) Knowledge that non-compliance might incur liability for proceedings.

"While it is true to say that each advance in the minimum rates causes a large number of employers to look around with a view to improving the organization and equipment of their establishments, it is equally true that it has been a constant source of surprise to officers in the past to find how high a proportion of businesses are run on a 'rule of thumb' principle. . . . It not infrequently happens in cases where the employer appears to lack the initiative or ability to determine for himself the defects in his factory organization that it is possible for the officer to do this for him."

Several instances are quoted of the improved organization between departments resulting from the provision that waiting-time must be paid for. In one case "the firm's directors personally thanked the officer for putting the factory on a more economical basis than was previously the case."¹ The picture of a state official showing a grateful business man how to run his factory efficiently is in sharp contrast with the conventional notions of the inevitable results of State interference. The picture of course might easily be made too idyllic; here too there are limits which though elastic cannot be passed, and too rapid or violent change would cause dislocation rather than efficient adaptation to the new conditions. The cry of "wolf" may at last be followed by the appearance of the hungry pack. But the assumption common in discussions of "what the trade can bear" that the peak of managerial efficiency has already been reached, can never, in the absence of evidence, be accepted as self-evident.²

In some cases the imposition of a Trade Board minimum has been coincident with a more extended use of machinery.

¹ *Minutes of Evidence*, pp. 913-14.

² Cf. C. Delisle Burns, *Government and Industry*, p. 89: "British industry will apparently continue to be in danger of ruin at every step which involves a change in managerial bad habits." Economy is possible in some items which never appear on a balance sheet. The problem of "labour turn-over," e.g. about which American writers have much to say, and which is likely to have a marked effect on productive efficiency, attracts little attention in England.

It is not clear how far the two are to be regarded as cause and effect, but the increased wage has sometimes had at least an accelerating effect. Cotton spinners have long recognized that if standard wages are to be maintained in that industry, it is necessary to insist on employers using the most efficient machinery, and the Amalgamated Association of Operative Cotton Spinners has succeeded in imposing penalties on employers who neglect to do this. The argument here is of a type similar to that which has led some observers to see a positive advantage to industry in strikes. A writer in 1835 in the *Edinburgh Review* states that

“if from the discovery of the Spinning Frame up to the present wages had remained at a level, and workers’ coalitions and strikes had remained unknown, we can without exaggeration assert that the industry would not have made half the progress.”¹

No one is likely to go about deliberately encouraging strikes on the strength of this evidence, but the germ of truth which it contains is on the whole less likely to be sterilized in the case of a legal minimum wage by those counteracting influences which accompany strikes.

There is a further indirect tendency in Trade Board industries towards more efficient management through the organization of employers’ associations, which the work of the Boards encourages. For the closer contact which such associations bring between those engaged in the industry must mean some pooling of ideas in a common stock. In at least one industry, the Aerated Water trade, which had previously been very little organized, and whose status was not particularly high, it has been definitely claimed that the Trade Board “has consolidated the trade into a compact body, respected not only by the trade themselves but by the public in general,”² and such an increase in self-respect must have good results on the general standard of efficiency. Whatever truth there may be in the allegations that local variations of wages within an industry correspond to local

¹ Cit. S. and B. Webb, *Industrial Democracy*, p. 73. Cf. also Mr. Nasmyth, *Trades Union Commission*, cit. A. C. Pigou, *Principles and Methods of Industrial Peace*, pp. 181-2.

² Cit. D. Sells, *British Trade Board System*, p. 189.

variations in efficiency is at least as likely to be due to the fact that employers in the lower paid districts have not been stimulated to efficient management by a standardization of wages as to any inherent differences in the workmen.

The question of the fate of workers in a trade which is genuinely unable, either because of foreign competition or for other reasons, to pay a minimum wage must, however, still be faced. For though the plea is less frequently just than those who make it suppose, it cannot be lightly assumed that it is invariably without foundation, and the fact that such trades are conceivable illustrates well the impossibility of being satisfied with the ordinary forces of supply and demand as efficient distributors of the supply of labour along the most desirable channels. In a state approximating to perfect competition, labour would at once leave such a trade, and it would be impossible to carry it on. In the long run, perhaps this will happen, but during the considerable interval between the time when the forces of competition begin to operate and the time when they become fully effective there will be much suffering. Mr. Justice Higgins' view on this point is fairly clear. The Court, he says, lets "no consideration of competition with foreign countries reduce what is found to be the proper basic wage."¹ The statement that he "deliberately refused to consider in fixing wages the rates which the industry could bear" is

"very nearly true as to the *basic* rate, the rate necessary for decent human subsistence, the living rate. . . . Unless great multitudes of people are to be irretrievably injured in themselves and in their families, unless society is to be perpetually in industrial unrest, it is necessary to keep this living wage as a thing sacrosanct, beyond the reach of bargaining."²

Even in a new industry, where "those who undertake it have to proceed economically," and he allows that "there may be a good case for keeping wages down," they are not to go "below the basic wage, which must be sacrosanct."³ In general, an industry which could not afford to pay a

¹ *New Province for Law and Order*, pp. 54-5.

² *Ibid.*, pp. 143-4.

³ *Ibid.*, p. 7.

minimum wage must disappear.¹ In Australia the most striking instances of declining industries are to be found in mining, and of these Higgins says,

"The fact that a mine is becoming exhausted or poorer in its ores is not a ground for prescribing a lower rate than would otherwise be proper. If shareholders are willing to stake their own money on a speculation, they should not stake part of the employee's proper wage also. The Court cannot endanger industrial peace to keep unprofitable mines going."²

Similar views have been expressed in England. The Trade Boards Advisory Council of the Trades Union Congress puts the matter thus: "We take the position that if an industry cannot be conducted on an economic basis, paying to its workers a living wage, then that industry is a charge upon the community and should not be carried on at all."³ The Trade Boards, however, so far as they have consciously faced the problem, have been unwilling to act on any rigid principle. In the first place, there is no authoritative declaration of a reasonable minimum standard of life, and in any case, it would be surprising to find a body representing employers and workpeople decreeing the extinction of the industry to which they belong. But the same question arises with regard to individual firms or to sections of an industry, and here the Boards have acted with both caution

¹ Cf. Judge Gordon, South Australia: "If any particular industry cannot keep going and pay its workpeople at least 7s. a day, it must shut up." Judge Burnside, West Australia: "If the industry cannot pay the price, it had better stop, and let some other industry absorb the workers." Cit. P. Snowden, *Living Wage*, pp. 109-10. Judge Williams, the first President of the New Zealand Court, took a different view. "The duty of the Court," he wrote, "is to pronounce such an award as will enable the particular trade to be carried on, and not to impose such conditions as would make it better for the employer to close his works, or for the workmen to cease working than to conform to them." Cit. H. Broadhead, *State Regulation of Labour and Labour Disputes in New Zealand*. The Massachusetts Minimum Wage Law permitted appeal on the ground that an award would endanger the prosperity of the business. Ryan, who discusses the living wage from a standpoint not very familiar in economic works, also rejects Higgins' position. "When the employer cannot pay a living wage, he is for the time being freed from actual obligation, as no one is morally bound to do the impossible. The contention that such a man ought to cease to be an employer will scarcely hold in the face of the hardship that he would thus undergo." *A Living Wage*, p. 249.

² *A New Province for Law and Order*, pp. 7-8.

³ *Trade Boards and the Cave Report*, p. 7.

and wisdom. Unwilling to drive any section out of business by a sudden increase of wages, they have been content to push slowly but steadily towards a minimum standard, so that ample time has been given to weak employers to take any steps that may be possible to enable them to meet the new conditions. The result is that although the average Trade Board minimum remained for some time below what Mr. Rowntree calls the poverty line standard, it steadily approached this line, and since 1921 has been maintained slightly above it.¹ The absence of carefully defined principles which makes a cautious adjustment of this sort possible has indeed been claimed, with some reason under existing circumstances, as a positive advantage. "It is a good point of the Trade Boards Act," said Mr. J. J. Mallon in 1913, "that it permits one to dispense in these matters with too strict logic."²

It has been alleged that certain sections of industry, e.g. small dressmakers have been so severely hit by the Trade Board rates that they have been compelled to go out of business. The evidence indicates that so far as the complaint is justified, the Trade Boards have merely accelerated a tendency which would in any case have worked itself out sooner or later. The problem of the fate of such sections of industry is exactly comparable, and in some cases identical, with the problem caused by the introduction of machine methods into industries previously based on handicraft. If capital and labour were perfectly mobile, the hand industries might immediately disappear, and people who oppose the application of a minimum wage to such cases have to decide whether it is preferable to have the sharp dislocation caused by the sudden extinction of the industry or the long-drawn-out misery caused by the hopeless attempt to keep a doomed industry alive. Mr. and Mrs. Webb have shown that the maintenance of the standard rates for handicraftsmen, without any attempt at restriction of machinery, has in several cases positively strengthened the position of

¹ *Poverty: A Study of Town Life*, Chap. IV.

² "The Industrial Unrest and the Living Wage," *Converging Views of Social Reform*, No. 2, p. 144.

the hand-workers, without hampering in any way the development of the new machine industry.¹ This may not be possible in every case, and where it is not, there is good reason for holding that it is better for the workers concerned, and in the long run more humane, to take steps which will secure an unpleasantly sharp but brief dislocation, so marked as to make it clear that it is impossible to look for a livelihood in the declining trade. This policy has perhaps a superficial appearance of callousness ; there are many who hesitate to express it clearly, and when the question is put, "Is that the policy of the Trade Union—to crush out the small trader?"² the answer "No" is very rightly given. For the policy is not hostile to the small trade as such, but to any trader who shows himself unable to carry on his business and at the same time pay a living wage. Some employers have also endorsed this view. A Glasgow draper told the Cave Committee that he thought "any trade which cannot maintain its workers in common decency should not exist,"³ but of course no employer will never admit that his own business falls within this category. Some of the evidence given to the Committee suggested that there was a special advantage to the nation in maintaining the class of small traders or shopkeepers. As one witness, a representative of the grocers, put it, "We are a nation of shopkeepers ; is it for the welfare of the country that the smaller traders shall continue to exist, or that business shall be concentrated in the highly organized and efficient firms?"⁴ while a draper who agreed that "looking solely at the *economic* side, it is quite possible that the small workshop should not be encouraged," suggested nevertheless "that it is in the ultimate interest of the nation that our countryside should be maintaining these small industries of very varied character."⁵ Such suggestions cannot be swept unceremoniously on one side, but it is proper to raise the question whether the advantages

¹ *Industrial Democracy*, pp. 417-24.

² Mr. W. Robinson, N.U.D.A.W., *Minutes of Evidence*, Question 7783, p. 551.

³ Mr. J. Campbell, Question 4817, p. 361.

⁴ Mr. M. F. Cahill, *Minutes of Evidence*, Question 1346, p. 143.

⁵ Mr. E. S. Reynolds, *Bridport*, p. 974.

which the maintenance of these industries may bring are not bought too dearly if they involve the permanent maintenance of a class of wage-earners receiving less than a living wage.

The whole of this discussion presupposes that the industries of the country as a whole can afford to pay whatever the living wage may be calculated to be, that the normal position of a well-established trade is such that there is no contradiction in practice between wages based on a "reasonable" standard of life and the wages that a trade can bear, and it may be objected that this is by no means obvious. It is conceivable that a living wage might be imposed at a rate too high in proportion to the normal production of the country, and where this was the case the theory of the living wage would break down. But in circumstances like this one might reasonably advocate drastic innovations in industrial organization, the discussion of which would carry us far beyond our present subject. Any particular interpretation of the theory cannot be regarded as an ultimate part of the order of the universe, to be applied in the same way in all places and at all times, but until it is shown that English industry cannot bear the burden of a living wage calculated on a moderate basis, it will be unnecessary to enter on these wider discussions.

It is further assumed that none of the important industries of the country are likely to fall under condemnation, and here we meet a point of more immediate practical importance. In addition to the poorer coal-mines we have to consider the vexed problem of agriculture. The city dweller should speak on this subject with becoming humility, for he feels that there is some justification for the scorn which the "practical" farmer pours out on the uninformed advice and criticism which the ignorant townsman offers him. The question goes far beyond immediate considerations of wages, and even far beyond general considerations of economics, for the contribution of agriculture to the many-sided life of the country is obviously of great importance, while the discussion seldom proceeds far without raising questions of defence as well. The same tide of reaction

which led to the appointment of the Cave Committee completely overwhelmed the Agricultural Wages Boards, which had been set up during the war, and which, though worked on much the same lines as the Trade Boards, had never been under the control of the same department. In agriculture there are special difficulties in the way of calculating a living wage, but, though it is by no means established that the industry cannot afford to pay it, the question that must be asked of those who proclaim the inability of some farmers to pay a minimum wage is whether it is fair to expect the burden of carrying on an industry which it is desired, for special reasons, to maintain on a more extensive scale than would be developed in the absence of artificial support, to be borne by the workers in that industry. The desirability of a reorganization of the productive side of the industry seems again to be suggested.

The criticism most frequently directed against the Trade Boards is their alleged connection with unemployment,¹ and this point obviously arises out of the problem discussed above. The cases of the industries in which criticism has been strongest have been carefully considered in detail by Miss Sells in her book on the *British Trade System*,² and it is unnecessary to recapitulate her reasons for thinking that the Cave Committee adopted too hastily the view that "the operations of some of the Boards have contributed to the volume of trade depression and unemployment."³ American discussions of "labour turnover" are a useful reminder of the fact that to argue from a summation of the dismissals by individual employers to the total volume of unemployment in the trade may involve the logical fallacy

¹ Unless wage rates as defined by a Trade Board are glaringly out of relation to the economic condition of the trade, it is not open to the same people to complain both that the Trade Board causes unemployment, and also that it makes it impossible for employers to differentiate between workers of different ability, i.e. that the minimum becomes a maximum. For if the wages of the more competent have been reduced to pay the minimum rates of the others, there is no reason to suppose that the latter will be dismissed. In the same way the criticism that juvenile rates are too high and the objection to the large gap between juvenile and adult rates seem to cancel each other. They are nevertheless used at different times by the same people.

² Part III, Chap. V.

³ Cd. 1645/1922, p. 22.

of composition. For if we were to add together the numbers of men who leave factories in any given line of business in America, within even a short time, we should often arrive at an unemployment percentage far surpassing even the unprecedented figures with which England has become familiar in recent years. Such a result would, of course, be entirely misleading, but the line of argument would be similar to that often used in reference to Trade Boards. We must inquire not only how many employees have been dismissed by each firm, but also how many new workers have been engaged, and it is probable that most of the dismissals reported by firms affected by the Trade Board determinations have been merely transfers to more favourably situated or more efficiently organized businesses, such as frequently take place quite apart from the imposition of minimum rates of pay. The unemployment percentages in Trade Board industries are not higher than elsewhere, though wages have fallen more slowly.

However important the problem of family endowment may be, it would receive little attention in an account of the thought of employers and employed on wage problems. The question has received considerable publicity through the work of Miss Eleanor Rathbone, and others associated with her, but it has not yet been faced by either employers' associations or trade unions. The Trade Boards had no powers to prescribe variations of wages corresponding to variations in the wage-earner's family, and there is no evidence that any of their members desired such powers. As, however, it seems inevitable that closer consideration of the conditions of a living wage will compel wage regulators either to accept or to refuse Miss Rathbone's contentions, they must receive some attention here.

The fact that the payment of wages in proportion to family needs seems to follow logically as "the next step" from the theory of the living wage suggests to some people that acceptance of the latter inevitably involves acceptance of the former as well; to others it suggests that there must be a radical flaw in the living-wage theory, if such results follow

from it,¹ while to others again the logic may appear defective. The argument briefly runs as follows : if it is agreed that each industry must provide for its workers a wage sufficient to maintain them and their families at a reasonable standard of life, the number of workers who will actually receive a sufficient wage, no more and no less, will be comparatively small. For whatever figure is selected for the average family, it can be nothing more than an average ; all those workers who are unmarried or who have families below the average will receive (quite apart from extra remuneration for greater skill or responsibility, which is, of course, not excluded) a sum in excess of the living wage, for the payment of which the presuppositions of the living-wage theory lay no duty upon the employer, while workers who have larger families will be insufficiently paid. It may be found that certain industries which are unable to bear the burden of a living wage calculated on the basis of an average family for each worker can nevertheless pay quite easily the same wage graduated according to the actual family responsibilities of each man. It is impossible to insist on direct payment by employers of higher wages to men with families, as such insistence would at once lead to discrimination in favour of single men.² It is therefore necessary to provide for payment for children from a central fund, to which employers contribute in agreed proportions, and from which workers draw in proportion to the number of their children.

The most complete and most convincing exposition of the theory is to be found in Miss Rathbone's *The Disinherited Family*. It is also developed with special reference to Australian conditions by Mr. A. B. Piddington, the chairman of the Australian Federal Basic Wage Commission of 1919-21, in a pamphlet, *The Next Step : A Family Basic Wage*,

¹ The family endowment theory, "is a *reductio ad absurdum* of living wage," says an opponent. "A flat-rate living wage is absurd, because family circumstances are different. A living wage graduated according to family circumstances ceases to be a wage at all, and becomes a maternity benefit raised by what is in effect a tax." A. A. Mitchell, *Breakdown of the Minimum Wage*, p. 12.

² In some cases in France it is said that direct payment has not had this result.

though his unsatisfactory treatment of the effect of increasing wages on prices raises some suspicion of his ability to deal adequately with the general subject of wages. The Commission had reported "that the actual cost of living at the present time, according to reasonable standards of comfort . . . for a man, with a wife and three children," reached a figure so high that, according to the Commonwealth Statistician, "the whole produced wealth of the country . . . would not, if divided up equally amongst employees, yield the necessary weekly amount,"¹ and Mr. Piddington accordingly suggested a scheme drawn up on the lines suggested above. Confusion had arisen from the fact that the Commonwealth Arbitration Court had taken three as the average number of children, while in New South Wales the figure adopted was two.

"Can any spectacle" (asks Mr. Piddington) "be more extraordinary than this, that the employee in New South Wales, if he belongs to a union registered under Federal Law, is entitled to claim a living wage sufficient for himself, wife, and three children, while if he belongs to a union registered under State law, the limit of his right is two children? And this (in either event), whether the real number of his children is none, or four, or seven."²

Similar difficulties are encountered everywhere in calculations of a living wage. Further, as Mr. Piddington points out, the doctrine that an industry which cannot pay a living wage has no right to exist is defensible only if the living wage is accurately adjusted to the facts of family life. It loses its plausibility if it is stated in the form that every industry which cannot pay all its employees, whether they have families or not, sufficient to enable them to support two (or three) children has no right to exist.

"When, in the name of the living wage, it becomes the duty of an employer to pay an employee who has no children a wage for the purpose of enabling him to feed and clothe and educate three children, the maxim is the last word in unreasoning harshness. Viewed in bulk, to tell the managers of Australian industry that they must between them find support for 2,000,000 mythical

¹ *The Next Step*, pp. 6, 22.

² Pp. 40-1.

children, and must each of them carry this proportion of this baseless demand or else give up his occupation, is to court a stern answer from the facts of industrial life.”¹

Miss Rathbone's account of experiments in France (where 2,500,000 workers are affected) and Germany shows that the scheme can no longer be regarded as resting on a purely theoretical foundation. The most radical objections raised by critics in England are based on the increase of population which it is alleged family endowment would cause. The tide of Malthusianism has risen sharply in recent years, and even those who support family endowment are constrained to meet this criticism without denying the dangers of over-population. The effect of increase of income, in most modern countries, in diminishing the size of the average family, can scarcely exist when the increase of income is itself directly dependent on the increase in the size of the family. Mr. Piddington, on the other hand, rejoices in the fact that

“we may be sure that . . . when every child has an adequate living ready for it, many thousands would welcome children who now avoid them. . . . If organized on a sensible scale, the principle of child endowment could therefore revolutionize, in a country so ill-populated as Australia, the whole outlook as far as natural increase is concerned, because it would take away the impelling force of . . . the ‘Malthusian drift’ which can be discerned in all the Western races, and it would make every home a ‘welfare centre.’ ”²

Family endowment in France has also had among its avowed objects an increase in the birth-rate. In this respect it has failed, but the allowance made for children has usually been very small. The attitude towards the population question, as towards other economic questions, will evidently vary according to the circumstances of the country in which it is discussed, but even if one does not see the trail of the Malthusian devil everywhere, there is considerable difficulty, especially in England, in adopting Mr. Piddington's outlook towards increasing population.³

¹ *The Next Step*, p. 46.

² *Ibid.*, pp. 55-6.

³ Miss Rathbone's reply to this objection should be consulted in detail. *The Disinherited Family*, pp. 232-48.

Others have questioned the reaction on production of family endowment. Miss Rathbone restates in cruder terms the idea underlying Professor Edgeworth's remark that "it is a fearfully rash assumption that, because each man now generally works hard for the sake of his own wife and children, all men will work equally hard for all wives and children collectively."¹ It means, she says, that "the father's motive to industry will be undermined if he no longer feels that he stands between his children and starvation."² So far as self-interest is admitted as a predominant motive in economic activity, the self must be extended at least to include the family, but it is curious that the people who make this objection never argue that the possession of a secure income will encourage idleness in professional or business men. From another point of view trade unionists are suspicious of the effects of family endowment on collective bargaining and the standard wage.

The popular view that a minimum wage is logically in exactly the same position as a minimum standard of sanitation, or safety, that

"minimum wage legislation is but a logical sequence of all protective labour and social legislation, and there are no new social principles involved that have not been admitted in other branches of labour legislation. . . . There is absolutely no difference of principle as between limiting the labour day to ten or eight hours, and prohibiting employment of women workers under a minimum wage,"³

a view which we have seen has been endorsed by Mr. Justice Higgins, has been questioned by an eminent economist, Professor Pigou, who declares that there is a fundamental distinction between a State-enforced minimum wage and a State-enforced minimum of sanitation or leisure.⁴

"Minima of leisure and of sanitation are *parts* of the minimum standard, and must be enforced directly if they are to be enforced

¹ "Women's Wages in Relation to Economic Welfare," *Economic Journal*, December, 1923, p. 494.

² *The Disinherited Family*, p. 248.

³ I. M. Rubinow, *American Economic Review*, March, 1915, Supplement.

⁴ Cf. *supra*, p. 114.

at all ; whereas the minimum wage is only a *means* towards a part of the minimum standard, and is, therefore, subject to the rivalry of other means. . . . It is not by itself a sufficient means to the end sought." ¹

This argument may be considered briefly here.

Those who hold the doctrine point out that the employer is not allowed to plead financial reasons, "the state of the trade," as an excuse for failing to comply with regulations designed to secure good sanitary conditions, say, for his workers. If his employees had perfect knowledge of sanitation, and on account of the perfect mobility of their labour could, by threatening to withdraw it, enforce the application of such standards as they had discovered, it might be possible to enforce sanitary regulations by the ordinary machinery of collective bargaining. The State recognizes that such a position is impossible, and therefore imposes its own standards, to which every one must conform. Any employer who cannot reach the minimum standard and at the same time make his business pay is compelled to leave the industry. In the same way, it is argued, for the attainment of a reasonable standard of life within a civilized community, a minimum standard of food and clothing and shelter is no less essential for health than a minimum standard of sanitation, and as the former can be secured only by paying the employee a minimum wage, the employer who cannot afford to pay such a wage has no more right to remain in business than the employer who cannot afford to provide the statutory sanitary or safety appliances. And the difficulties of determining the minimum wage, though great, are in principle the same as the difficulties of determining the other minimum standards ; the fact that it has been found necessary constantly to revise the provisions of health and factory legislation is not as a rule held to be evidence of the impossibility of establishing standards.

The constitutionality of minimum-wage laws affecting women and children in the United States has been argued chiefly on these lines. In the defence of such laws, it is

¹ "Principle of the Minimum Wage," *Nineteenth Century*, March, 1913, p. 648.

claimed that they fall "within the police power of the State to provide for the protection of the health, morals, and welfare of women and children," and where they are adjudged constitutional, it is because they are regarded as "a regulation tending to guard the public morals and the public health."¹ Pigou agrees that "somehow or other, we all do believe in the doctrine" that "there is a minimum standard of general well-being below which the life of no member, however incompetent economically, ought to be allowed to fall," and further that "there is a rough agreement as to the general character of the standard required." But he denies that if we accept these premises we are bound to accept the doctrine of a minimum wage. "The minimum wage," he says, "is not the only means by which the minimum income can be secured." His objections rest on two main grounds, the fact that the payment of a minimum wage does not directly secure the enforcement of the minimum standard, and the fact that "since the enactment of a minimum-wage law carries no pledge of continuous employment, it is plainly compatible with failure on the part of a large number of poor people to attain the minimum income."² With regard to the former, it might be answered that the advantage to the individual of the minimum standards which the law enforces directly depends, in part at least, on this wise co-operation; for some cases this reply might be condemned, and perhaps justly, as a quibble, but it is still true that so far as the minimum standard is supplied directly by the State, as in open spaces, or opportunities for recreation, and not by the employer, at the direction of the State, these things are no less indirect than the minimum wage. Nor does the enactment of a Factory Act or a Health Act any more carry with it a pledge of continuous employment than the enactment of a minimum-wage law. The broad effect of such a law, according to Pigou,

"would be simply to cut off and destroy a large part of the work at private industry formerly undertaken by inefficient men. . . .

¹ R. G. Paterson, "Wage-Payment Legislation in the U.S.," *Bulletin of U.S. Bureau of Labour*, No. 229, December, 1917, pp. 39-40.

² *Nineteenth Century*, March, 1913, pp. 645-8.

The enforcement of a minimum rate, in respect of workers whose efficiency was not before high enough to be worth that rate, will act, in the main, to throw those workers out of employment.”¹

This appears to be one of those places where it is necessary to inquire, as Mr. Tawney suggests, whether the ingenuity of employers and workpeople may not have exceeded that of economists,² and consequently whether the expected unemployment has in fact occurred. “Inefficiency,” moreover, is a relative term. Most people who are inefficient are so in relation to some set of circumstances in which they work. Not only do other things never remain equal when wage rates change, but the changes in other things are organically related to the changes in the wage rates. It cannot, of course, be assumed that in every case the results of change will be happy. If, or when, the imposition of a minimum wage causes unemployment, it may well be the case that the difficulty is caused by the imposition, not of a “living wage,” but of something higher than a living wage. We must, as Mr. Justice Higgins suggests, adapt the teaching of Roger Bacon :

“Experiment, experiment—pore not over the teaching of Aristotle to find solutions. . . . The problems of industry must be approached, not through the dicta of the political economists of the nineteenth century, but by thoughtful and well-directed experiment.”³

Whether it be true or not that the minimum wage stands on the same footing as the minimum standard of health, the arguments directed against the one are almost identical with those which in the last century were directed against the other, and many of the employers’ representatives who gave evidence to the Cave Committee would be hard put to it to make out such a plausible case for the distinction as Pigou has been able to do. Their objections, if valid at all, are often equally valid against any encroachment on the power of the employer to settle wages exactly as he pleases, and against any imposition of minimum standards by the State.

¹ *Nineteenth Century*, March, 1913, p. 649.

² Cf. *supra*, p. xiii.

³ *New Province for Law and Order*, p. 167.

But no one now dares explicitly to object to either the one or the other. The evidence in some cases disclosed nothing beyond an indiscriminating resentment against interference of any sort with the unfettered discretion of the employer, and had no special relation to the Trade Boards. It may be that we are now reaching, or have already reached, the limit of reform. It does not follow that because industry flourished when hours were reduced from ten to eight that it will also prosper when they are further reduced from eight to six, or from six to four, but in face of the presumption in favour of desirable reactions following on payment of a minimum wage which the facts already considered have raised, one hesitates to accept any condemnation of the minimum-wage theory, which bears such a striking resemblance to the arguments used against factory legislation during the last century. We may agree that a minimum wage is not enough. But even if "the policy of the minimum wage will not render anybody capable of independent self-support who was not capable of it before,"¹ a statement which has by no means been proved, one may reasonably hold that such incapables should be weeded out and identified, instead of allowing their competition to drag down the remuneration of others—for in some cases there is an advantage to the employer in using incompetent men at depressed rates of pay. The difficulty of the slow or incompetent worker may sometimes be overcome by putting him on piece-work, but there are, of course, some industries, particularly retail and distributive trades, where this is not possible. So long as no other provision has been made for these people, it is natural to hesitate before applying the minimum-wage doctrine completely. This has apparently been the view of the Trade Boards, but it does not in any way affect the fundamental validity of the living-wage doctrine.

Industrial conditions are still changing so rapidly that one cannot be sure that the Cave Report has now more than an historical interest. A number of administrative reforms which could be applied without legislation have been carried

¹ *Nineteenth Century*, March, 1913, p. 649.

out, and since the publication of the Report no new Boards have been set up, the Grocery Board remaining inoperative. Legislation was prepared to give effect to the other recommendations of the Report, but with the relaxation of the severest pressure of the trade depression the feeling against the Boards relaxed also ; even without the political changes at the end of 1923 it was by no means certain that the proposed legislation would have been accepted, and under a new Minister further applications of the Act are now in contemplation.

CHAPTER IX

RAILWAY WAGE NEGOTIATIONS, 1918-1924, AND THE "RELATIVITY OF WAGES"

WAGE negotiations in the railways before the War had been notable chiefly because of the persistence with which most of the companies maintained their traditional mediæval attitude towards union organization. Collective bargaining was indeed admitted in 1907, and a system of conciliation boards set up, but railwaymen were not allowed to present their case through the union officials. Their representatives on the boards were men actually engaged on the work to be discussed, and not representatives of a union that was still officially not recognized. The strike of 1911 failed to secure recognition, though the men were allowed to appoint union officials as secretaries of the workers' side of conciliation boards. In 1913 the National Union of Railwaymen was formed and succeeded in amalgamating all the existing unions except the Associated Society of Locomotive Engineers and Firemen and the Railway Clerks' Association. Before the outbreak of the War notice had been given to terminate the conciliation agreement in November, 1914.

In view of the outbreak of war, the notice of termination was suspended, and in 1915 it was agreed that no new demand should be made to the company while the War lasted. Wages were raised from time to time in more or less close correspondence with changes in the cost of living, until the total weekly flat-rate advance granted to all grades had by November, 1918, reached 33s. Railway wages before the War had for a variety of reasons often been extremely low. Anyone "who really believed in the law of supply and demand" might no doubt have found in it the cause of these low rates ;

the supply of labour was affected by two special circumstances : the attraction of permanence of employment which the railways exerted on steady and far-sighted men, and the fact that the special skill acquired in the railway service often had no market value in other industries, and both these circumstances might have been expected to keep wages down. But however admirable such a demonstration might have been, it was certain that wages on the railways were not "fair," in the sense that Pigou endeavours to give that word.¹ So far as skill and responsibility in other industries were comparable, men in the railway service were paid at lower rates than men in other industries. During the War, however, no attempt was made to secure other reforms than the adjustment of wages to cost of living, though under a system of flat-rate advances the lower paid grades advanced relatively to the others. A porter, for example, who had previously received 18s., in 1918 received 51s., while an express-driver, who had received 166 per cent. more than the porter, 48s., received 81s., which was less than 60 per cent. above the porter's rate. In November, 1918, an automatic cost-of-living sliding scale was agreed to, to be adjusted quarterly, the war bonus increasing or diminishing by 1s. per week for every movement of 4, or in some circumstances 3, points in the official retail price index number.² Each company had worked out its own scheme of wage payment, with the result that it was not uncommon for men whose work and conditions of employment were exactly identical except for the accident that they happened to be paid by different companies, to receive widely different rates of pay. Nor was there any more uniformity in conditions of promotion. A driver on the Midland Railway was earning the maximum rate after two years of service ; on the Great Western he had to wait ten years. To all these rates was now added a uniform war bonus, without any attempt at a rectification of these obvious anomalies, which were now all the more glaring because all the railways were by this time

¹ *Vide infra*, p. 235 *et seq.*

² The Government based its offer of 1s. a day to the miners in February, 1919, on the railway agreement to vary wages in this way. *Times*, 13 February, 1919.

under Government control. The greater part of the war bonus was in fact paid by the Government.

In November, 1917, the N.U.R. drafted a programme to be submitted to the companies as soon as the War was over, including the establishment of an eight-hour day and a forty-eight-hour week, the conversion of all war increases into permanent wages, a guaranteed day and a guaranteed week, double pay for overtime and Sunday work, time-and-a-half for all work between 6 p.m. and 6 a.m., the abolition of piece-work, standardized conditions on all railways, and union representation on the management. The Government was still in effect responsible for the railways, and though the members of the Railway Executive Committee were also managers of railway companies, the negotiations were in fact directly with the Government. A pledge had already been given that as soon as the pressure of the War was relaxed an eight-hour day would be granted, and it was announced in December, 1918, that this would take effect on 1 February, 1919. Many difficulties arose in applying the eight-hour day in particular cases; the concession of the "principle" still left for discussion many thorny points of detail, but on the whole the question of hours was not vital in the railway negotiations of the subsequent period.

If we were to attempt to tell the full story, our task would be a difficult one, for the history of wages is inextricably mixed up with the demand for nationalization, the rivalry between the industrial union, the N.U.R., and the craft union, the A.S.L.E.F., the history of the Coalition Cabinet, the organization of the public departments, the relations with other members of the Triple Alliance, and other important problems. And for other purposes all these aspects of the negotiations would require attention. But if our subject is as far as possible to isolate the wage principles which were applied, we can leave these other things on one side and proceed with the simpler story of wage negotiation.

The points of greatest interest which emerge are the standardization of wages, the cost-of-living sliding scale, and the conciliation machinery. The outstanding question upon which the unions laid greatest emphasis was that of

standardization. The union organization during the War had become so strong, and negotiations had been conducted with the unions by the Government so much as a matter of course, that a change in the traditional attitude of the companies was inevitable. From 1919 the position of the unions can be regarded as firmly established. They had shared in the general increase of membership which was such a marked feature of the industrial history of the War. The N.U.R., for example, which in March, 1913, the date of its formation, had a membership of about 170,000, reported in December, 1918, a total of 416,531. The principle of standardization in some sense was by this time generally accepted; it was difficult to find any justification for anomalies of the type to which reference has been made, and there was no special feature of the economic organization of the railways which stood in the way of standardization as there was in some other industries. But there was much less agreement about the extent to which standardization should be pushed, and the level at which it should take place. The Railway Executive Committee proposed a permanent percentage addition to the pre-war wage, the remainder of the war wage to be regarded as a bonus to fluctuate with the cost of living, while the N.U.R. wished the whole of the war wage to be included in the standard rate, which was to be calculated by taking the top rate actually paid in any given grade. The average rate for drivers, for instance, was 6s. 9d. per day, but 9s. 6d. was claimed as the standard rate, because some drivers were already receiving that sum. In March, 1919, after the threat of a strike, agreement was reached on a number of points in the railwaymen's programme. The guaranteed day and the guaranteed week were settled, and a compromise was made on overtime; Sunday and night duty, and some other matters. Hitherto no special payment had been made for night duty; it was now granted for work between 10 p.m. and 4 a.m. at the rate of time-and-a-quarter. The Negotiation Committee of the two unions was further recognized "as the medium for dealing with all questions affecting rates of pay and conditions of service while the present negotiations are proceeding." The question of per-

manent standardization of wage rates was, however, too complicated to be dealt with at this stage, and pending further negotiations the existing wages were stabilized until the end of the year, so that the agreement of November, 1918, for an automatic cost-of-living sliding scale was practically suspended. New standard rates were to be fixed later

“to ensure that all men throughout the country shall receive the same payment for the same work under the same conditions. This will involve a transfer of a part of the war wage to the permanent wage, but the Government agrees that up to December 31, 1919, no man shall receive less in weekly rate of wage, plus war wage, than he is receiving at present, while anyone to whom the new war wage and new rate yield more than they are receiving at present shall receive the advantage as soon as an arrangement is arrived at.”¹

On the question of wages, agreement was first reached on the rates for engine-drivers, firemen, and cleaners, in August, 1919, again as a result of compromise following a threatened strike. The compromise tended on the whole towards the claims of the unions rather than towards the original offer of the Government, though the maximum claimed for each grade was not granted, while instead of paying drivers their maximum rate in their fifth year of service, as the unions asked, the final settlement provided for the daily maximum of 15s. to be paid only from the eighth year. The rates of engine-drivers and firemen were calculated so as to absorb the war wage, and no provision was made for readjustment later to meet changes in the cost of living. Standardization was absolute, the only distinctions admitted being based on length of service; 120 miles was to constitute a day's work, and any mileage in excess of this was to be treated as if fifteen miles were equivalent to an hour. The mileage basis of payment at first strikes the outsider as an extraordinary attempt, all the more surprising because in other branches of their work railwaymen have strongly opposed piece-work, to apply piece rates to conditions of work, where the reasons whereby piece-work is usually defended are entirely inapplicable. The mileage basis, however, no doubt provides

¹ *National Agreements of all Railway Employees*, p. 43.

a fairly accurate measurement of the degree of skill and responsibility required from the locomotive grades. According to the companies,

"the mileage system for engine-drivers is not a piece-work system. The extra payment . . . is not a recognition for extra output dependent upon his exertions, but it is purely a recognition of continuous application during long-distance runs. . . . The duty of the driver is to work his train to the scheduled time, no more and no less." ¹

The mileage system is an old-established custom on the British railways, dating back on some lines to the 'sixties of last century. Actually the proportion affected is less than 4 per cent. of the men working in the locomotive grades. Men on either goods or other slow trains do not travel as far in a day as the 120 or 150 miles which is taken as the equivalent of a day's work. It might be argued that the mileage payment acted as a stimulus to induce drivers and firemen to keep their trains up to time, but it is unusual in piece-work arrangements to have a rigid limit beyond which speeding-up must not in any circumstances be carried. A similar system of rewarding responsibility is found in the signalmen's agreement of 1 May, 1922, where signal-boxes are classified according to the work done, a certain number of marks, varying from $\frac{1}{2}$ to 10, being allotted to every operation that a signaller had to perform; the standard weekly rate for Class 6 boxes, with an average number of "marks," 129, was 48s., and for "Special" boxes, where the average was more than 374, 75s. It is stated that both the men and the companies found it preferable to arrange work on long-distance trains, so that a full week's mileage was covered in three or four days, rather than attempt to split up the mileage and give only a day's work each day. The unions' original claim was said to be a weekly increase over the average pre-war rate of 52s. 6d., which was equivalent to a weekly increase over the existing rates of 19s. 6d. The compromise agreed upon fell below the claim to the extent of 2s. a day in the case of drivers in their fifth, sixth, or seventh

¹ Mr. Clower, National Wages Board, November, 1923, *N.U.R. Report*, p. 28.

years, but in no other case was the difference greater than 1s. a day, and for certain grades, firemen up to four years' service, and drivers in their first and second years, the full claim was granted. Cleaners lost a little by the settlement, but as there was provision for their automatic promotion to the grade of fireman, this point was not considered very important.

Negotiations for the other grades of railwaymen continued for some time, but as it was believed that the Government was trying to force standardization of a type different from that which had been adopted for the locomotive grades, there was much dissatisfaction with the progress of the negotiations, and a general strike was declared at the end of September. For the locomotive grades the unions' claim that standardization meant the application of the highest existing rate to all in the same grade had been substantially admitted, and the unions maintained that the Government had agreed to apply the same principle to the other grades. The Government submitted that this type of standardization had been adopted only because of the relative injustice to skilled men during the War, caused by the flat-rate advances to all grades, though this point had not been made clear at the time of the locomotive agreement in August, and they wished the other standard rates to be established on the basis of the average instead of the highest rate actually being paid, though no one's earnings were to be reduced before the end of the year. The rates thus offered, it was declared, constituted a wage advance equivalent to that given to the locomotive grades. The difference between the standard rate and the rate actually being paid was to be treated as a war bonus, and further negotiations for its increase or reduction in proportion to changes in the cost of living could take place later. The equality of percentage advances, however, would not at all meet the special claims of the lower paid grades, whose position, it had been generally agreed, demanded some absolute improvement, and not merely an advance which would leave them in comparison with the higher paid men in exactly the same position as before the War. On the settlement of the strike, it was

agreed that the period of stabilization of the existing level of wages should be extended until 30 September, 1920, and that so long as the cost of living was not less than 110 per cent. above the pre-war level no railwayman was to receive less than 51s.

The agreement for the remainder of the conciliation grades was signed on 20 March, 1920. Even then the work of regrading the enormous number of positions in the railway service had not been completed, but substantial progress had been made, the number of pre-war grades, 512, having been reduced to 88. The list of standard grades and grades absorbed and eliminated agreed to on 1 August covers ten pages of the volume of agreements published by the N.U.R.¹ Rates of pay were set out according to two standards: one the "rate applicable so long as the 'cost of living' remains at 125 per cent. above pre-war 'cost of living,' and to be subject to the sliding scale"; the other a "standard rate," below which rates of pay were not in any case to fall.² Standardization was not so complete as in the case of the locomotive grades. In most departments appointments were graded in three classes: rural districts, industrial and mining areas, and London within a radius of ten miles of Charing Cross. For the permanent-way staff the London termini were further distinguished from the rest of London. Length of service was not taken as a basis of classification except for guards. In looking for the grounds of grading, either differences in the cost of living, or differences in responsibility between town and country stations, or in the rates paid by other industries competing for the labour supply of the district, might be suggested. So far as the question of principle was consciously faced, the first was regarded as the most important, with almost exclusive reference to differences of rent. In some Trade Board industries the levelling up of district rates has been almost as marked as on the railways, and the classifications in these and other industries where wages are governed by national agreements are to be explained in the same way.

The distinctions based on service were introduced for the

¹ Pp. 97-106.

² P. 70.

locomotive men and guards in substitution for systems of grading which had been regarded by the men as unsatisfactory. Again one might suggest that distinctions of age correspond roughly to distinctions of efficiency and responsibility in work, but it is by no means certain that the men directly concerned would accept this interpretation. The extra payment for permanent-way men at the London termini was, however, undoubtedly based on the greater skill and arduousness of their work. The "standard rate" is said to have been calculated by adding 100 per cent. to the average pre-war rates of the principal companies. The engineering and shipbuilding trades had recently been awarded an increase of 5s. in view of the further increase in the cost of living, and the current rates for the railways were therefore obtained by adding a war wage of 38s. (and not 33s.) to the average pre-war wage. The general principle of standardization therefore seems not to differ in any vital respect from that which had been proposed by the Government at the time of the strike. In the application of the principle, however, many grades were more favourably treated than in the original Government proposals. No reduction was to be made before 30 September, 1920, but thereafter the rates were liable to a fluctuation, to be calculated quarterly, of 1s. for every rise or fall of five points in the retail price index number. This meant that every flat-rate reduction would tend to restore the pre-war relation between the grades which had been disturbed by the flat-rate increases. The minimum standard rate for porters was 40s., but this could not be reached unless the cost of living fell to 45 per cent. (or in the case of goods depot porters in rural areas, 40 per cent.) above the pre-war level. By that time most of the better paid grades would have already reached the standard, for the difference between the current rate and the standard rate varied from 2s. to 18s.¹ Many of the lower paid men received immediately substantial advantages from the agreement, the advances being in

¹ Two grades in the locomotive department were regarded as already on the standard rate, but these, though included in the March, 1920, agreement, were actually engine-drivers or firemen, and therefore were paid the minimum rates for those classes.

some cases 10s., but the higher paid grades were, with some exceptions, liable to smaller reductions, both absolutely and relatively, than the lower grades. Labourers, for example, on the signal telegraph staff in rural districts were to receive 58s. with a standard rate of 40s. Parcel porters received 61s. with a standard rate of 50s., and guards in their sixth and seventh years, 66s. with a standard rate of 60s. Or contrasting men who were to receive the same current rates, guards in their first and second years and sub-gangers in rural districts were both rated at 60s.; the standard rate for the former was 50s., for the latter 43s. Class 2 station foremen and gangers in rural districts both received 63s., but the standard rates were respectively 58s. and 48s. This meant that if the fall in the cost of living were rapid, the relative position of grades would be radically altered. It is possible, for instance, to pick out four grades, which were to receive in 1920, 71s., 70s., 68s., and 67s., who, if the cost of living fell to 65 per cent. above the pre-war level, would receive respectively 59s., 60s., 62s., and 65s. The general effect was to restore the advantages of the higher paid grades as compared with the others more definitely than would have been the case with the same flat-rate reduction applied indiscriminately without any or with the same minimum point in the scale. Many grades of railwaymen have found the limit to the sliding scale a great advantage to them, but unless the cost of living falls much more than seems probable, the restoration of the traditional advantages of the higher grades will not be complete.

The guarantee that the process of standardization should not penalize any individual was still to hold good, and for this purpose the war wage was to be taken as 38s., though after 30 September the sliding scale would operate on any wage which happened to be higher than those provided for in the agreement in the same way as on the standardized rates. An agreement for the clerical staff was signed on the same date, establishing complete standardization, except for an extra £10 per annum for clerks working in London. The fact that labour in the clerical grades was

more fluid than elsewhere, and therefore more likely to be moved from place to place without alteration of grade, probably made it easier to establish a high degree of standardization. Provision was made for automatic increases of salary according to age. The war bonus was calculated as the difference between £60 plus 20 per cent. of the standardized salary and the actual increase paid as a result of standardization. This meant, for example, that a man whose previous salary (exclusive of war bonus) had been £120, and whose new rate was £200, was treated as receiving a war bonus of £20, which was liable to an increase or decrease of £5 per annum for every rise or fall of five points in the cost of living, which was considerably more than the weekly shilling provided for in the general agreement. A few clerks are still receiving a war bonus, but the proportion is much smaller than in the other grades of the railway service.

The apparent anomalies to which attention has been called show, of course, that the general rules for the calculation of the current and the "standard" rates were not rigidly applied to each individual grade. In the interplay of bargaining certain changes were introduced, for which it is as difficult to find a clear reason as it is for the differences between the standardization in the different classes of railway work. The unions would have liked to see complete standardization, the companies would have preferred to see many more variations than were actually allowed, and between the two there was room for many variations for which it is impossible to find a purely rational explanation. Some of the differences may be explained in one of the two following ways: it was agreed that the responsibility of the work had not in some cases been sufficiently recognized. The unions wished the recognition of this fact to affect the standard rates at once, and in some cases this was granted, but for other grades, instead of raising the current rates, the standard was placed at more than 100 per cent. above the pre-war average. This is probably the explanation of the position of the station foremen. In other cases, certain special allowances were to be dropped,

but in order to make the transition easier, the deduction was made from the standard and not from the current rate, and this may explain some of the cases where the difference between the current and the standard rates appears to be excessive. The special allowances applied more particularly to individual workers, but in some grades there were so many individuals affected that there was an indirect effect on the average also. The differences of the limits to the sliding scale for different grades indicate a more or less conscious acceptance of the idea first of distinguishing between a living wage and an extra payment for skill, and secondly of maintaining the differential for skill unchanged only in absolute amount. The 40s. minimum may be taken as a basic living wage, essential for the barest kind of existence. The extra 15s. or 20s. which was paid to other grades was a reward for skill or responsibility. In effect the cost-of-living sliding scale was applied only to the basic minimum. As soon as the standard rate fell to the basic minimum, plus the special reward for skill considered applicable to that particular grade, no further reduction was to be allowed. The principle obviously was not applied with any thoroughness, and one hesitates here as elsewhere to attribute to negotiators ideas of which they were not definitely conscious, but something of this sort seems to have been in their minds.¹

¹ The pitfalls that beset investigators who make careless use of percentages have frequently been pointed out by careful statisticians. They are nowhere more common than in comparisons between increases in wages and increases in cost of living. Much might be said in favour of abandoning references to percentages altogether in such cases. The statement that the cost of living has risen so many points is usually intelligible and may sometimes be accurate, but the statement that it has risen so much per cent. is seldom either one or the other. Even careful writers fall into confusion when they transfer such methods of expression to discussions of wages. Writing of the railway strike of 1919, a correspondent of the *Manchester Guardian*, for example, who is usually a model of accuracy, stated (1 October, 1919) that "a porter who received 25s. in 1914 now receives 58s., which is equivalent to an advance of 132 per cent. on his nominal wages, and since prices are at present 115 per cent. above the level of August, 1914, to an advance of 17 per cent. on his real wages," whereas a simple arithmetical calculation shows that the increase in real wages was under 8 per cent. of the wage of August, 1914.

Another small point of terminology that deserves attention is the practice of referring to the cost of living as 70, for example, when it is meant that it has risen 70 per cent. above the pre-war level. If we follow

Once the principle of a cost-of-living sliding scale has been accepted, two practical questions have to be asked. The first is : What index number is to be selected as a standard ? And the second : What is the most suitable relation between changes in prices and changes in wages ? On the answers to these questions will depend the adequacy of the sliding scale to carry out the functions which we have postulated for it. At the end of 1922 the number of workers whose wage agreements included some sort of cost-of-living sliding scale was nearly three millions. There were eighty such agreements in existence, including a dozen negotiated by Whitley Councils, and eight imposed by Trade Boards. The index number selected as a standard has been in all but three cases the Ministry of Labour cost-of-living index number. In two cases the *Labour Gazette* food prices index number has been followed, and in one (wall-paper manufacture) the *Statist* index number was also considered. Though the cost-of-living number was open to criticism from some points of view, there existed no generally acceptable alternative, and there was seldom any discussion over this point. To the second question a bewildering variety of answers was possible and has been given.¹ The only general statement that can be made about them is that in the vast majority of cases provision was made for fluctuations of wages of so much per hour or per week in accordance with fluctuations in the index number of so many points. Variations in exact proportion to the movements of the index number were very rare, and where variations were prescribed as percentages of wage rates, and not in pence or shillings, they were usually less in proportion than the index number changes. On the railways alone, at least three different scales have been proposed. In the November, 1918, agreement, which was never operative, wages were to move 1s. for every movement of three or four points in the index number. In the effective agreement, the figure was

this practice, we find ourselves sooner or later speaking of a fall in the cost of living to zero, or of a negative cost of living, a paradoxical form of expression for which there appear to be no corresponding advantages.

¹ Appendix III to *Industrial Negotiations and Agreements* gives a useful summary of sliding-scale agreements, compiled from the *Labour Gazette*.

five, and in the clerical agreement the movement was £5 per annum for every five points.

Corresponding to each type of fluctuation there would, of course, be a different level at which the sliding scale would provide increases or decreases in exact proportion to the increase or decrease in the cost of living. All earning above this level would lose as a result of a rise, but would gain as a result of a fall, in the cost of living; the position of those at a lower level of payment would be the reverse of this.

Weekly Wage Fluctuation of rs. corresponding to Index Number Fluctuation of	Weekly Wage varying in exact proportion to the cost of living.	
	Index Number at 175.	Index Number at 100.
	s. d.	s. d.
6 points	29 2	16 8
5 „	25 0	20 0
4 „	43 9	25 0
3 „	58 4	33 4
Clerical Agreement	67 4	38 6

(Mr. Rowntree's estimate for the needs at the "poverty line" of a family of five, adjusted to the prices of July, 1914 (index number, 100), was 26s., or 35s. 3d. if a standard of "human needs" were adopted. Cf. *Poverty, A Study of Town Life*, Chap. IV, "The Human Needs of Labour." Cf. also *Minutes of Evidence to Cave Committee*, p. 663.)

The existence, however, of points below which the sliding scale was not to go makes it impossible to accept the mathematical conclusions as absolutely correct, or to take them as a sufficient basis for comparison between different agreements.

Under the scale actually adopted, no one in the railway conciliation grades received proportional increases. Flat-rate advances had been deliberately granted on the ground that it was fair for the better paid men to share in the

diminution of prosperity which it was alleged was affecting other classes as a result of the War. This practice naturally grew up during the War, when it was felt that those who were able to make sacrifices should do so, but this consideration is, strictly speaking, irrelevant in the consideration of a cost-of-living sliding scale in normal times. In practice nearly every class of worker was penalized by a rise of prices to at least a small extent. The variations recorded (excluding women and juveniles) range from $\frac{1}{2}d.$ per hour for each five points¹ (which, assuming a forty-eight-hour week, corresponds to 1s. per week for each two and a half points) to 1s. per week for each six points.² Variations were commonly less for women and juveniles, so that the changes in their wages were very roughly proportional to the changes in the wages of men. For juniors in the silk trade in Leek, for example, wages varied 1s. per week for every change of ten points in the index number. The distinction made for the railway clerical staff was also a rough attempt at securing for them an increase proportional to that granted to the lower paid conciliation grades. It was claimed that they had already established a higher standard of life, which had to be recognized by allowing them greater increases to compensate for increases in prices. This is obviously only a very rough approximation, for many of the higher paid grades in the other classes receive more than the lower clerical grades, and presumably have at least as high a standard of life, but it was not possible to arrange a proportional increase all round, and the five points increase was adopted as a reasonable compromise. The date of the sliding-scale agreement also affects the precise fluctuations adopted. If the agreement is made when prices are already beginning to fall, the trade unions will, of course, be more willing to accept variations much less than proportional. In some cases provision was expressly made for more rapid changes above some agreed point than below it. But no general theory was ever worked out of the precise variations which it was desirable to enforce. In the case of the railways it

¹ Coopers and Birmingham Gas Fitters.

² Sheffield Laminated Spring Makers.

is difficult to explain why five was selected as the right figure in preference to every other. What the unions would have said to a proposal to substitute six, which we have seen was selected in one case, or the companies to a demand for four, an equivalent of which was granted to several trades, including the London bakers and the Edinburgh farriers, it is now impossible to determine. The precise application of sliding scales is obviously one of those numerous points on which we are still far from any generally agreed principles, and to that extent the case for a cost-of-living scale as a partial application of a tabular standard of money is weakened. If, as was the case during the boom, though there is no reason to suppose that it is always necessarily so, a general rise in prices is an indication of general prosperity, a sliding scale which grants advances in a proportion higher than the increases in the index number does more than merely carry out the intention of the original wage contract, adapted to changes in the value of money. So far as it gives advances which are smaller in proportion, which has almost universally been the case, it fails to carry out the functions which we have postulated for it, and alters not only the money, but also the real wages of the persons who are affected. When prices fall, the position is reversed, but the criticism remains, in principle, the same.

An important feature of railway negotiations is the organization of Central and National Wages Boards, with elaborate provisions for consideration of wage claims, which it was hoped would minimize the possibility of strikes. These Boards were established in December, 1919, and the general conciliation provisions were embodied in the Railways Act of 1921; some people have thought that the main contribution of the railways to the solution of the general problem of wage regulation is to be found in the machinery that is there set up. The form of the new machinery is naturally affected by the previous history of wage negotiation in the industry, and the scheme of Local Departmental Committees, Sectional Railway Councils and Railway Councils is a continuation of the pre-war Conciliation Councils, though with more clearly defined functions, and

influenced by the ideas of the Whitley Report (to which reference is made in Section 63 of the Act). The employees' representatives must, for example, be themselves employees, though each side of a Sectional Railway Council or a Railway Council might appoint a secretary "from any source it pleases additional to the elected or appointed representatives,"¹ a concession which had been made to the Conciliation Councils before the War. The unions, as such, were not recognized until we reach the more important and distinctive features of the scheme, the co-ordinating central bodies to which there is nothing to correspond in the older organization. The Central Wages Board, as constituted in the Railways Act, was to be composed of eight representatives of the companies, and eight of the employees, four from the N.U.R., and two each from the other two unions. The Central Wages Board was "to deal with all questions relating to rates of pay, hours of duty, or other conditions of service . . . which are referred to it through default of agreement between the railway companies and the railway trade unions,"² and if agreement was still impossible, a final reference was made to the National Wages Board. The latter body is composed of six representatives of the companies, two each of the three railway unions, and four of "users of railways," nominated by the Parliamentary Committee of the Trades Union Congress, the Co-operative Union, the Association of British Chambers of Commerce, and the Federation of British Industries, with an independent chairman nominated by the Minister of Labour, at present Sir William Mackenzie, the chairman of the Industrial Court. The National Wages Board was to announce a decision within twenty-eight days of reference of a claim, though there was no compulsion to accept its findings. The novel feature in this scheme is the representation of outside bodies, who might be regarded partly as defenders of the "public interest," to which appeal is constantly made in times of industrial disturbance, and partly as protectors of the "consumer" from unfair exploitation by agreement between employers and employees.

¹ *National Agreements*, p. 222.

² *Ibid.*, p. 227.

If, however, the latter intention had been in anyone's mind, the railway machinery was not at all fitted to carry it out, for if the companies and the unions had come to an agreement that was likely to be at the expense of the "consumer," the question would not go beyond the Central Wages Board, and the representatives of the users of railways would therefore have no opportunity of opposing it. The procedure was in some respects similar to that of the Trade Boards, but it also had other points in common with the practice of the Courts of Inquiry.¹ The sittings were in public, a provision which some have thought likely to interfere with frank discussion,² and the arguments from either side were placed before the Board by experts who were not members, in much the same way as the case was presented to the Courts of Inquiry. As most of the members were also experts, the objection to public hearings is weakened, as there would presumably be no lack of frank discussion in private. The members of the Board took part in the discussion more freely than has been the practice in Courts of Inquiry.

Early in 1920 an advance of 3s., spread over five months, was granted by the Central Wages Board, in view of the further increase in the cost of living, to the locomotive grades, whose agreement made no provision for automatic adjustments. In April, 1920, the sliding scale increased the wages governed by the agreement of March by 1s., and by June a further advance of 2s. was due. In April, however, a further claim was made for a general advance of £1 per week, with further concessions for holidays, overtime, Sunday work, etc., and the first reference to the National Wages Board was made in May. In support of the claim there was some criticism of the official index number, but the argument in general was in favour of improvement, and not merely of maintenance of the standard of life of the railway workers. Actually the average increase already

¹ It has been suggested that the railway machinery provides "a suitable model for general application" to industry. L. T. Hobhouse, *Elements of Social Justice*, p. 182 n.

² Cf. A. C. Pigou, *Economics of Welfare*, pp. 375-6.

granted was substantially above the increase required by changes in the cost of living, except for engine-drivers and guards.

"It was urged, however, that the position of the railway workers should be compared not merely with what it was before the War, but with the position at the present time of other workers who, in so far as such matters are measurable, may be said to perform work of similar or less responsibility, arduousness, or skill,"¹

and in the evidence there were frequent references to the earnings of dockers, miners, policemen, and municipal workers. The whole claim has, in fact, been interpreted as a consequence of the Shaw award of 16s. per day to the dockers. It was submitted, on the other hand, that in making such comparisons regard must be paid to the regularity of employment and other advantages enjoyed by railwaymen, who are "practically immune from the vicissitudes of short time and unemployment."² The concession of the full claim, too, it was held, could not be made without involving the companies in actual loss, and a large advance in rates and fares would be necessary, which the Board feared would have disastrous results on industry as a whole. In making its award, the Board stated that it had

"looked to the level of wages prevailing in other industries in order to arrive at a standard by which the position of railway workers may be measured. . . . A general view must be taken, and after allowance is made for what is purely transitory in the present situation, a conclusion formed as to what, having regard to the present cost of living, is a fair and reasonable wage for workers of a given degree of responsibility and skill."³

The case for an advance in rural districts was weaker than that for workers in industrial areas, and a wider difference

¹ National Wages Board Findings, cit. *National Agreements of all Railway Employees*, pp. 235-6.

² *Ibid.*, p. 236. It is often assumed that seasonable trades in which employment is variable tend on that account to be more highly paid, but statistical inquiry casts some doubt on this assumption. Cf. Mary van Kleeck, *Annals of American Academy of Political and Social Science*, September, 1915.

³ *National Agreements*, p. 239.

than existed between rural and other rates was declared to be justified. Consequently, in addition to the 2s. due to the operation of the sliding scale, an advance granted also to the locomotive men, advances varying from 4s. to 7s. 6d. were granted to the conciliation grade men in industrial areas, 2s. to 3s. 6d. in rural areas, 7s. to drivers, 4s. to firemen, and 2s. to cleaners. For the three latter grades the rates of August, 1919, were to be taken as standard rates, and the cost-of-living sliding scale was to apply to both the advances granted since that time. Engine-drivers and guards were to advance to the maximum rate for their grade in the sixth instead of in the eighth year, while firemen in their eleventh year were to receive the minimum rate for drivers. The advances were roughly equivalent to 10 per cent. in London and the industrial areas, and 5 per cent. in the rural areas, of the standard rates of the original agreement. The Board was much impressed by the difficulties of establishing stable relations between industries, and recorded its view that

“ the absence of any effective system of co-ordinating changes in rates of wages is largely responsible for the fact that wages’ settlements tend to be disturbed, not because of inherent defects, but because of changes in the comparative level of wages in different trades brought about without due regard to the position outside the industry immediately affected. The Board desire with all emphasis to suggest that every effort should be made to ensure that the movements of wages in the different industries should come effectively under review by a co-ordinating authority.”¹

The new award introduced district differences into grades where in March, 1920, they had been abolished, or had been admitted only as between London and the rest of the country. The grading of the clerical staff was, however, not changed. The award also meant that the porter in a rural district who would not have been reduced to the standard rate of 40s. under the original agreement, unless the cost of living fell to 45 per cent. above the pre-war level, would now not reach the standard unless the figure

¹ *Ibid.*, p. 241.

were 35 per cent. The new advances tended on the whole to maintain the distinctions between the higher and the lower paid grades.

Under the cost-of-living sliding scale further weekly advances were granted of 2s. in July, 1920, a further 2s. in October, and 1s. in January, 1921. Then when prices began to fall sharply, there was a reduction of 4s. in April, of 5s. in July, 1921, and a further 4s. in January, 1922. Excluding the advance of June, 1920, there had therefore been a net weekly reduction under the sliding scale of 5s. since the March, 1920, agreement, so that when allowance was made for the June increase, there was still no case in which a man had been reduced to the standard rate. In September, 1921, however, it had been agreed that the June advances were to be deducted in two instalments from the drivers, firemen, and cleaners working for the Scottish companies, and at the end of the year a further claim from Scotland that such reduction should be extended to all grades, and that the hours of work should be increased, and some other concessions, e.g. special payment for night work should be withdrawn, came before the National Wages Board.

The Scottish companies maintained that during the general depression there had been extensive wage reductions, in which the railwaymen had not shared, and that as the advances had originally been made to remove the disparities which had grown up between industries in a period of prosperity, a reduction should again restore the normal relationship between comparable industries. Railwaymen were alleged to be

“in a ‘privileged’ position, retaining an advance given under, and because of, conditions that have disappeared. It was urged that the enjoyment by railway workers of rates of wages out of relationship to those now paid in various industrial occupations and agriculture was a ground of grievance to the public and an unjustifiable embarrassment to the railway companies.”¹

The employees replied that in the decision of June, 1920, the Board had eliminated the transitory factors which had

¹ *National Agreements*, p. 254.

raised some trades to an unusual level of prosperity, and had "endeavoured to effect a settlement which should endure when trade conditions should change,"¹ and that the reductions which had already taken place under the sliding scale were considerable in comparison with the reductions in many industrial occupations. Objection was also raised to discrimination between Scottish and English workers. The Board refused to abolish the extra payment for night duty, but directed that any subsequent fall of wages under the sliding scale should be doubled until the advances of June, 1920, had been absorbed, while provision was made for a spread-over of hours under some circumstances up to a total of twelve. This award was originally argued from the point of view of the Scottish companies, but it was afterwards extended by agreement to the English and Welsh companies as well. Its effect was ultimately to destroy the new district differentials which had been introduced in June, 1920, and restore the correspondence between the standard rate of 40s. and an index number of 145.

The National Wages Board, prior to the passage of the Railways Act, had no authority to deal with the clerical staff, and the advance of June, 1920, did not apply to them. When the Board was finally reconstituted under the Act, a claim was made for the extension of the advance to the clerical grades. The claim came before the National Wages Board in October, 1922, and as the advance had by that time practically disappeared, the claim was mainly retrospective. The Board refused the claim, after attention had been directed to the fact that the clerical sliding scale was in times of rising prices more favourable than the sliding scale for the conciliation grades, on the ground that the existence of a constant differential, either absolute or proportional, between the clerical and the other grades had not been established.

Wages continued to fall under the sliding scale, 2s. coming off the current rates in April and July, 1922, and in July, 1923. On 1 April, 1922, the locomotive grades reached the

¹ *Ibid.*, p. 255.

standard, and an increasing number, especially among the higher paid men in the other grades, found themselves in a similar situation. In November, 1923, there were, however, still 150,000 men in receipt of a war bonus, varying from 6*d.* to 7*s.*, or in the case of dockmen, who had been dealt with in a separate agreement, to 11*s.* No further claim for revision of the agreement came before the National Wages Board until November, 1923, when, after prolonged and unsuccessful negotiations, the companies' claim for certain reductions was heard. The companies asked for the complete abolition of any outstanding war wage, and cancellation of the sliding scale, as soon as the cost-of-living index number (which at the time of the hearing was 175) fell to 70 per cent. above the pre-war level, a revision of pay for Sunday work, the abolition of special rates for night duty, a concession of 1919, to which the companies appear never to have become reconciled, and a reduction for locomotive men, whom the sliding scale no longer affected, through a reclassification of duties and a revision of the mileage regulations. Two of the unions put forward counter-claims, but these may perhaps be regarded without injustice rather as bargaining instruments, which might be found useful later, than as serious demands.

The Board in its finding refused to interfere with the payment for night duty, or the sliding scale, but made some reduction in Sunday rates, and in the maximum rates for engine-men engaged in shunting. The normal daily mileage was also increased from 120 to 150, mileage above that figure being still paid for in the proportion of 15 miles to an hour. The mileage had been fixed at 120 in 1919, in view of the establishment of the eight-hour day, and it was argued that it had not been established that the reduction of mileage from 120 to 150 was a necessary corollary of the eight-hour principle.¹ The original claims of the companies were estimated to mean a saving of £4,000,000 per annum; the award allowed about £500,000 instead. The reduction of wages, which would thus have resulted, in a few cases as much as 22*s.* 6*d.* per week, were concen-

¹ *N.U.R. Report*, p. 164.

trated chiefly on the engine-drivers and firemen, and the A.S.L.E.F. refused to accept the finding of the Board. A strike followed in January, 1924. The terms of the settlement followed the practice—which may be regarded as the modern variant of “splitting the difference”—of accepting the proposed reductions, but spreading them out over a considerable time: 130 miles was to be accepted at once as a day’s run; in July, 1924, this was to be increased to 140; and in January, 1925, to 150.

The railway conciliation machinery has on the whole proved itself a valuable instrument in securing industrial peace. There has been some tendency for discussion of vital points before the Central Wages Board to be regarded as a mere formality, because of the certainty of an appeal to the final authority of the National Wages Board, but even the Central Wages Board has done useful work on occasion, and the delay which reference to it necessitates might be regarded as a useful solvent of heated feeling. The machinery has not in every case prevented a strike, but to admit such a failure is not necessarily to condemn the whole system as futile. Possibly more searching tests must be faced in the future. The popular attitude towards arbitration machinery illustrated very aptly the shortness and insufficiency of the experience on which many generalizations about industrial policy have been based. During the early history of wage regulation in Australia and New Zealand, it was commonly asserted and generally accepted that before the value of the machinery could be properly assessed it would be necessary to observe its operation in times of depression as well as times of rising prices. Now at the end of a long depression, when workers have found, either by their own bitter experience or by observing the experience of others, the futility of striking on a falling market, one feels that the real test of conciliation machinery will be the way in which it meets demands for improved wages and conditions, when trade begins to revive. It is too early yet to say how the Railway Boards will emerge from this test, but it is unlikely to improve their chances of permanent success to insist that even the slightest diver-

gence from their findings "would be tantamount to an abandonment of the principle of settlement by the approved machinery, and would be fatal to the prospects of collective bargaining in the future."¹

Railway wages are always discussed in terms of their relation to wages in other industries, and the case for the reduction in November, 1923, was argued almost entirely on the basis of the necessity of bringing railway wages into line with the wages already paid in other comparable industries.

"The railway companies" (it was declared) "are seized with the great importance in the national interests of bringing the wages and other conditions of railwaymen more nearly into conformity with the wages and other conditions of employees in industry generally. . . . The wages of the lower ranks of the railway service should bear some close relation to the wages of the agricultural labourer, from which class of men the railway service is to a considerable extent recruited."²

It was, in fact, alleged that the driving force behind the claim for reductions came, not from the railway companies themselves, but from the trading and commercial interests which made use of the railways, and who claimed that lower rates and fares were essential for a revival of industry. When the contrast, with which we are familiar to-day, between the "sheltered" industries with their comparatively high rates of pay, and the "unsheltered," which have to meet the relentless competition of foreign rivals, is drawn, and the "disparities" or "appalling discrepancies" between the wages paid in different industries are emphasized, the rôle of chief villain in the piece is usually assigned to the railway worker. From a comparison between the average increase of railway wages over the pre-war rates, said to be 150 per cent., with the smaller increases in other industries, the moral of a decrease of railway wages is drawn. It is a little depressing to find that when the discussion turns to comparison with rates of pay in foreign countries

¹ Railway Companies' advertisement, 19 January, 1924.

² Mr. W. Clower, *National Wages Board*, November, 1923, cit. *N.U.R. Report*, pp. 9-10, 12.

it is still often assumed that lower hourly or weekly rates abroad are necessarily also lower costs per unit of product. That weekly rates of pay in many countries are lower than in Great Britain is, of course, a fact that can be easily verified; that the cost of production is also lower may be a fact, but something more is needed to establish it than a mere reference to weekly rates of pay.

The general problem of the relation between wages in different industries, which is here suggested, arises in practically every wage negotiation. The wages paid in other industries are constantly used by either side to disputes as a support for their case, though the proper relation between wages in industries requiring a comparable degree of skill cannot easily be determined without raising difficulties similar to those of the ancient theory which, maintaining that the earth rested on the back of an elephant, and the elephant on the back of a tortoise, was unable to find any resting-place for the tortoise. If industry A paid better wages than industry B, the forces of competition might be expected to bring the two wage levels together. But the forces of competition are very slow in their action, and in the meantime the employers in A hold that wages ought to come down, the workmen in B that they ought to go up, and so long as the argument is restricted to a comparison between the two industries no conclusion to it is possible.

The attempts to find a basis for answers to these questions by defining a "fair" wage are not very convincing. "The wage paid to A," says Pigou, "is fair relatively to that paid to B when it bears to the wage paid to B the same ratio that A's efficiency bears to B's efficiency."¹ Even if we set aside for the moment the difficulty of comparing degrees of efficiency without reference to the wages paid for them, which, as Pigou points out, would be to argue in a circle, a definition of fairness by reference to a ratio of

¹ *Economics of Welfare*, p. 527. Cf. Marshall, Preface to L. L. Price's *Industrial Peace*, p. xiii. A normal wage is "about on a level with the average payment for tasks in other trades which are of equal difficulty and disagreeableness, which require equally rare natural abilities and an equally expensive training."

wages, and not by reference to their actual amounts, appears to lead to most unsatisfactory conclusions. If wages were once settled in a "fair" way, according to the definition, they would still be "fair" if they were all halved or all doubled. As Pigou says,

"fairness in a wage rate must not be taken as a conclusive reason against interference to raise it. . . . It is conceivable that workpeople might have their wages 'exploited' everywhere to exactly the same extent, and for this reason might be everywhere receiving less than the value of their marginal net produce,"¹

and our experience of war changes with a depreciating currency shows that this possibility is not a mere academic refinement. If this is so, "fairness" as a characteristic of wages is left with only a technical meaning, and the use of the term can only confuse the ordinary man, who, whatever difficulties he may have in defining fairness, certainly does not regard a wage as "fair" if it is for any reason desirable to interfere with it. Further, one may doubt whether a ratio between efficiencies in different industries is in any sense intelligible, much less calculable. Pigou agrees that it is difficult to see how we can find "some measure of efficiency independent of the value which a unit of it is capable of producing,"² and one feels inclined to go farther and say that the problem is, by its very nature, insoluble, raising difficulties analogous to those of quantitative comparisons of pleasures, which differ qualitatively. We may, as Pigou suggests, make a practical approximation to solution by taking a standard year as a starting-point,³ but the estimate of efficiency in a standard year would almost inevitably depend on the wages paid in that year, and this procedure would in any case merely carry the problem one stage farther back, without actually solving it. According to Sir Lynden Macassey, "there is no difficulty in practice in saying who are comparable workers. Industrial experience and tradition have firmly settled that,"⁴ but industrial experience and tradition have merely settled that

¹ *Economics of Welfare*, p. 539.

² *Ibid.*, p. 527 n.

³ *Ibid.*, p. 536.

⁴ *Labour Policy—False and True*, p. 278.

men receiving the same wages are regarded as having similar skill. Beyond that point neither experience nor tradition can carry us very far. Behind the whole discussion one suspects the implicit narrowing of the meaning of Labour, for which official Labour leaders are sometimes reproached. As the technique of mental testing develops, industrial psychologists may be able to give us some assistance, but at present we are not disposed to trust their conclusions.

The competition of neighbouring industries is, of course, often powerful in determining wages. Agricultural wages are higher in those counties where it is easy for men to seek employment in factories and workshops; the bitterest criticism of the wages paid by the Government in factories and aerodromes in country districts came from the farmers, who complained that they were unable to retain their men at the customary rates of pay.¹ References to conditions in other countries and other industries are always allowed to be fair argument before an arbitration tribunal, and are frequently found in the proceedings of the Industrial Court. In their claim for a modification of the eight-hour day in January, 1922, the Scottish railway companies referred to the fact that the Government of South Africa had found it impossible to maintain on their railways the eight-hour day which had been for some time in force. Mr. Bevin tacitly admitted the force of comparisons with other industries when he claimed, in support of a shorter day for dockers, that they had never worked the same hours as railwaymen.

Parties not directly affected have always been interested in changes of wages and hours elsewhere, because of the reactions which they are expected to have on their own industry. The sympathy and support of the whole trade union world is claimed in opposition to threats of wage reductions in particular industries, or in other countries, because it is feared that a reduction there will be used as a lever for reductions elsewhere, and the case for the employers in the dockers' inquiry as well as in the 1923 railway

¹ Cf. *Wages and Conditions of Employment in Agriculture*, Cmd. 24/1919, pp. 25-9. Cf. also letter to *Times*, 2 April, 1919.

negotiations was argued on similar lines. The employers' representative in the dockers' case, Sir Lynden Macassey, declared standardization to be "impracticable . . . and opposed to quite clear economic reasons," and condemned the dockers' claim as

"disturbing to other sections of labour in the districts where the ports are situated. . . . There is a mutual relationship existing in the country between different trades, and you cannot raise or reduce the wage of one trade without reflecting at once upon the wages of other trades."¹

The alleged discrepancies are held to produce unfortunate results in two ways, firstly, by increasing discontent among the lower paid industries, who are unable to see why men who were previously earning only as much as or less than they were themselves should now be receiving much more, and, secondly, by preventing a diminution in the cost of production in transport, etc., for export industries, or industries liable to foreign competition in the home market, which is necessary if trade is to revive. The difficulty of securing apprentices for skilled work may be regarded as a special case of the first difficulty. The argument on this point is not always quite clear. Its general trend is to support further reductions of wages in railway service, building, municipal service, etc., to bring these industries into line with the competitive trades. But it is also complained that skilled engineers are attracted to America, and that parents refuse to apprentice their sons, so that it is necessary to diminish the attraction of America by reducing the differences between the two classes of work. It seems, however, a little ridiculous to suggest that engineers go to America, because railway porters here receive high wages; the repulsive force of low engineering rates will be just as great whatever is paid on the railways. To this the reply would no doubt be that the reduction of railway wages would lead indirectly to a revival of engineering, through the reduction of its transport charges, but this result would not be immediate; in the meantime the flow of skilled men

¹ Cmd. 936/1920, pp. 47, 70.

to America would presumably continue, and the considerations raised in the discussion of minimum wages suggest that there may be other fruitful fields for economy in production beside the wage bill.

That there must and will be some relation between the wages paid in different industries must, of course, be granted. In one sense the statement is little more than an arithmetical truism. So long as there is no agreement about the nature of these relations, the regulation of wages is likely to be a much more difficult task than it was before the War.

"It is not the wickedness of trade union leaders, or even of capitalists, that has made wage disputes so difficult to settle since the War; it is simply the loss of the standard which, by tacit consent, was always taken for granted in discussing wage changes before the War."¹

Even now custom is a powerful factor in determining the attitude of wage-earners towards proposals for change, but before the War the changes were so much less violent and sudden that the regulation of wages in individual industries was usually possible without raising the more difficult problem of the general wage level. What Professor Clay aptly describes as "the abstract and unanswerable general problem, What is a fair wage?"² never came up. A reading of Professor Pigou's chapter on The Normal Wage,³ first published in 1905, now arouses a sense of unreality and irrelevance. A wage arbitrator would no longer find very helpful the observation that "the normal in any occupation at any time can be calculated with sufficient accuracy by reference to a model year . . ."⁴ for no one knows which year to take as a model. But to admit that it is impossible to fix wages in any industry as if its operations were the only relevant consideration does not carry us very far. It may be true, as Mr. Wolfe deduces from the experience of 1914-18, that "with wages, it is like war. Once you

¹ *Manchester Guardian*, "European Reconstruction, Section 16," 12 August, 1923, p. 867.

² *Economic Journal*, March, 1924, p. 1.

³ *Principles and Methods of Industrial Peace*, Part II, Chap. II.

⁴ P. 63.

start you can set no limits to the end of your journey. . . . To touch the main body of wages at any point is ultimately to touch it at all.”¹ But the implicit assumption of many who discuss this subject that “it is vital to get back to, and as far as possible preserve, the pre-war relationships,”² has no logical connection with the proposition to which we have assented. When people complain that men of similar skill in different industries are receiving different rates of pay, they seldom mean anything more than that men who used to receive the same wages now receive different wages.³ In some cases (e.g. engineers in railway workshops) the work is identical and a direct comparison is possible. Here some disparities may be detected, though they are not so large nor so general as is sometimes supposed, nor is the identity of work always so exact as at first sight appears. In general the contrast is between industries in which the work is not identical, and in comparing which the difficulties of quantitative measurement of skill to which we have already referred must therefore be faced. On the whole, where the work is really comparable, the discrepancies are much less “appalling” than they were in many industries before the War.

In fact, to regard the pre-war relations between wage rates as based on an eternal principle which must always be obeyed is a rash generalization from the experience of an extremely short period. “The idea that is still commonly entertained that the pre-war relations between wages in different occupations were inherently just and therefore ought to be restored will not bear examination.”⁴ Changes in existing relations have been much more violent and sudden during the last six years than ever before, but changes have constantly been occurring in the past. There is no reason

¹ *Labour Supply and Regulation*, pp. 253, 288.

² Sir L. Macassey, *Labour Policy—False and True*, p. 273.

³ The same sort of circular reasoning seems to be inevitable in any attempt at estimating how many “units of labour” are contained in any class of work. Cf. J. B. Clark, *Distribution of Wealth*, p. 63. “A skilled worker will, of course, always create more wealth than an unskilled one. A superior artisan represents more wealth than one unit [of labour], and a successful business man represents many of them.”

⁴ *Manchester Guardian*, “Reconstruction,” 12 August, 1923, p. 867.

to suppose that the relations of 1814 were identical with those of 1914, and there is no more reason to suppose that there is any eternal validity about the relations which chanced to be in existence in 1914. "The pre-war wage relationship between different classes of skilled, semi-skilled and unskilled labour" was not in fact so "delicate" ¹ as to preclude all possibility of change. It is just as reasonable that the relation between the prices of different kinds of labour should change as it is that the relation between the prices of different kinds of comparable commodities should change, though the existence of customary relations is more important for wages than it is elsewhere, because of the reaction on the minds of the bargainers. A doctrine of fixed relations between wages has no place at all for new industries, while the growth of a new industry is also certain to disturb the existing relations between the older industries. And apart altogether from the rise of new industries, or rather as a more general application of the same principle, changes in the relative importance of industries will always cause some change in the relation between their average wage levels. The position of several classes of workers has completely changed since the outbreak of the War.² This argument does not, of course, establish the correctness of the relations which happen to exist to-day, but it does refute arguments designed, consciously or unconsciously, to show that relations different from those which existed ten years ago are necessarily bad. This point is especially important for the railways, where, as we have seen, it is claimed that the pre-war wages were unduly low, and that a change in their relation to other wages was therefore necessary. If, as is probable, the pre-war relation between skilled and unskilled wages was in part the result of differences in organization, the modification which this relation has now undergone will be permanent.

Nor is it clear that the distinction between trades liable to

¹ Sir L. Macassey, *Labour Policy—False and True*, p. 272.

² Cf. Industrial Court Award No. 651, Wireless Telegraphists, 1 June, 1921. For the difficulties of finding comparable industries, cf. also Award No. 891, Shipbreakers, 19 February, 1924.

foreign competition and "sheltered" industries will bear all the weight that is sometimes thrown upon it. It is claimed that wages in export trades must be governed by world prices; from the world prices are deducted administrative charges, rates and taxes, etc., and the remainder sets the limit available for distribution as wages. In home industries the start is made at the other end; a reasonable wage is first fixed, and the price is reached by adding to the cost of labour, the remaining overhead and other charges. Why the home customer should be more obliging than the foreigner, and pay the prices fixed in this way, is not usually explained; it is not clear whether we have here an example of the foreigner's deeper iniquity or of his greater wisdom. But one would certainly expect unemployment to be greater in industries where prices were fixed in the extraordinary way that is suggested for the home market, whereas on the whole the depression is more profound in the other trades. There is, of course, the important difference that in cases where other sources of supply are available the customer is not compelled merely to abstain from purchasing when the price asked by the British producer is too high, but the distinction is only one of kind, and does not justify the suggestion that prices are determined in different ways in the two cases. There is no close correlation between the reductions in wages which have taken place and the degree to which the trade is liable to foreign competition. Wages are low and unemployment high in ship-building and engineering, not because foreign competitors are producing similar goods more cheaply, but because there is no demand whatever at any price for many of the products of these industries. There are, of course, differences between home and foreign trade, but the theory of international trade has so often, with unfortunate results, been regarded as something quite distinct from the theory of trade in general, while the emotional associations around the word "foreigner" are so alien to the demands of objective science that it seems desirable to relegate the theory, if it must be retained, to a comparatively subordinate place. There may be a useful meaning in the statement that

builders have a monopoly of the home market, but this use of the word "monopoly" is likely to cause confusion, and it would be preferable to use some other term.

In fact, the assumption that wages in the home industries are determined by factors different in nature from those which determine wages in the competitive industries is very doubtful, and in particular with reference to the railways. The distinction between different types of employment contract is a familiar one; the railway method of engaging labour approximates rather closely to what Pigou calls the privileged class method,¹ which is also to be found in the Government service. Employment once found there is likely to be permanent; an increase of wages will neither attract new supplies of labour, nor cause the dismissal of men already employed.² When organization is weak, these factors are likely to keep railway wages unduly low, but they will also mean that in a depression they will not fall so rapidly as in other industries. But though the economic distribution of labour between different industries which it is alleged a change in the wage relationship between different industries is likely to cause is thus prevented, this does not mean that the wages of railwaymen are determined by forces differing in kind from those which operate in other industries.

Railwaymen's wages are relatively high, according to Mr. Rowe,³

"because to a very large extent the same number of men have to be employed irrespective of the volume of traffic carried; traffic may fall and greatly reduce profits, but the demand for labour remains fairly constant, and the existence of a large number of unemployed in the general labour market does not greatly affect the supply side, at least over short periods, because the 'skill' of many grades of railwaymen consists of experience and often of a highly specialized local knowledge, which cannot be acquired quickly."

¹ *Economics of Welfare*, pp. 497-504, 510-11.

² Special provisions have been made for avoiding dismissals which might otherwise have followed the re-grouping of the railway companies.

³ "Wage Disparities in British Industries," *Economica*, February, 1924, p. 83.

If this is so, the claim that railway wages should be further reduced must be based on something other than the existing forces of supply and demand. The fact that the railways have succeeded in retaining more of their war gains than some other industries may also be associated with the fact that a greater degree of central control has also been retained.

“ It is state of trade and employment which regulates the general level of wages in all industries, and as a principle determining wages, the cost of living does not operate more in one industry than in another. Clearly a sliding scale cannot be applied where the state of trade and employment renders impossible any approximation of rates to the increase in the cost of living. Given fulfilment of this necessary condition, it would seem that such scales have been adopted partly as a convenient means of adjusting real wages, and partly on principles of equity to the consumer, combined in some cases with the feeling that demand will infallibly be reduced below normal through a rise in real as distinct from money prices if a cost-of-living parity is exceeded.”¹

So far as the information is available, it appears that the changes in the relative level of earnings during the present depression have not been different in kind from the changes observable in earlier depressions. The differences in conditions would, one would expect, have the result of making wages in industries like the railways less fluctuating than in industries more sensitive to competitive forces, neither rising so rapidly in time of prosperity, nor falling so low in depression. This seems actually to have been the case, and was put forward by Mr. Cramp as the N.U.R. defence against the claim for reductions based on comparison with other industries.²

“ The existing disparity in wages is strictly in accordance with the principles of the present wage system, and the higher paid workers cannot be accused of exploiting either the consumer or their fellow-producers. If these principles are unjust, or undesirable, then the present method of determining wages must be modified.”³

Those who see in the “disparity” of existing wage

¹ J. W. F. Rowe, *Economica*, February, 1924, p. 85.

² N.U.R. Report of N.W.B. Proceedings, November, 1923, p. 84.

³ J. W. F. Rowe, *Economica*, February, 1924, p. 88.

rates the whole explanation of the slow recovery of trade exaggerate the importance of distribution in determining economic welfare, even more than those who look to wage regulation as by itself sufficient to remove existing social evils. On the general value of the discussions of the distinction to which we have referred, the *Manchester Guardian Commercial* has an apt editorial comment :

"It is to be doubted whether discussions as to the applicability of (a) the cost of living and (b) the state of trade as considerations that should govern rises or falls in wages are as useful as they are thought and sometimes meant to be. So far they have furnished economists on the one hand with excuses for ineffectual excursions into pure theory, and partisans on the other with pegs for ingenious but equally unconvincing advocacy, and not much more."¹

How then, if the condition of industry becomes more stable than it is to-day, are we to determine the correct relations between wages in different industries? It would be easy to pass the investigation over to a Royal Commission or a Public Department, but this would scarcely be fair unless we were at the same time prepared to offer some general suggestions to assist the investigators. It is probably impossible, as Professor Clay thinks, to neglect altogether the pre-war relations²; their memory is still too sharply present in men's minds not to form part of the background which determines their reaction to proposed wage rates, and consequently the capacity of such rates to encourage smooth and efficient production. But beyond that it is not possible in the present state of knowledge and of public opinion to say much that is likely to be helpful, and one doubts whether any formal co-ordinating body is likely to be effective. The Railway National Wages Board had emphasized the necessity for co-ordination, and it had been hoped that in time the Industrial Court might exercise this function,³ but any such body would

¹ 27 March, 1924.

² *Economic Journal*, March, 1924, p. 4.

³ Cf. Sir Thomas Inskip in debate on Industrial Courts Act, 11 November, 1919. "We must look forward to the time when some central council shall exist which shall have the power to co-ordinate all these decisions as applied not only to one industry but to every industry."

be certain to arouse suspicion among the workers, who would see in it another instrument for reducing wages, and would ask why no machinery was provided for co-ordinating profits. One need not either be attracted by the arid philosophy of *laissez-faire* or entertain any extravagant notions about the magical results that ensue when employers and employed "get together" round a table, to feel that, at present, at any rate, co-ordination is more likely to be effective if it is left to the separate negotiations of the industries. It has been objected that this "is the method that industry has followed for five years without coming anywhere near stability," and as an alternative it is suggested that

"taking the pre-war system of rates as a starting-point, it should be possible to schedule the more important of the economic changes that have taken place, making necessary a departure from the pre-war relations. The pre-war system has, at any rate, more authority than any other set of relations; it might be possible to secure acceptance of the principle that pre-war relations ought to be restored, except for good reason shown, and then to specify the reasons that would be considered 'good.'"¹

This procedure would confirm and perpetuate the relative improvement in the position of the worst paid workers, and would also make possible adjustment of wages to the changes of supply to different industries that has been a consequence of the War. So many excellent ideas have been too hastily condemned as impracticable that one hesitates to pronounce a similar verdict on this one, but while the divergence of opinion on wage principles and their interpretation continues as it is to-day a mild scepticism may be pardoned. It took much more than five years to develop the flexible pre-war system of relations, and probably the post-war system must be left to develop in the same way.

¹ *Manchester Guardian*, "Reconstruction, Section 16," 12 August, 1923, p. 867.

CHAPTER X

THE MINING AGREEMENT OF 1921

IN studying any industrial problem, it is always advisable to inquire how it has been dealt with in the mining industry, for apart from the intrinsic interest of the history of this all-important "key" industry, it has frequently been a field for industrial experiments which have been extended later to other industries.¹ Payment of wages on licensed premises, for instance, was forbidden in the mining industry in 1842, more than forty years before the general Act on the subject was passed. The practice of appointing checkweighmen, which received statutory recognition in the coal-mines in 1887, was not extended to other industries in the same way until 1919. The mining industry has also been a field for experiment for statutory limitation of hours (in 1908 and 1919), and for the enforcement of a legal minimum wage (by the Coal-mines (Minimum Wage) Act of 1912). Similarly it was hoped that the wage agreement which closed the prolonged strike of 1921, and which embodied some important and unprecedented features, "the finest charter that any industry has ever received,"² "would provide an example and serve as a model for adoption in other industries."³

The difficulties of disentangling from the general history of the mines in the post-war period the streams of thought which relate only to wages are, if possible, greater than in the case of the railways, for the nationalization of the mines aroused much more excitement than the nationalization of

¹ F. Tillyard, *The Worker and the State*, pp. 28-9.

² Mr. Gould, Conservative Member for Cardiff Central, House of Commons, 21 June, 1923.

³ *Scotsman*, 12 July, 1923.

the railways, and the type of wage settlement adopted was closely bound up with the type of management adopted for the industry. An exposition which confines itself to wages and hours alone, though it gives only a very one-sided picture of the industry during the last six years, is, however, an essential part of the story of wage regulation during the War, and must therefore be briefly attempted.

Before the War the miners had been unable to enforce regulation of their wages on any uniform national basis. The attempts which for many years were made to work out in some of the districts satisfactory selling-price sliding scales, similar to those which still exist in the iron and steel trade, were generally unsuccessful, but though the search for an automatic sliding scale was abandoned—in 1914 sliding scales existed only in Northumberland and in the Forest of Dean—changes of wages were in fact much influenced by changes in selling price, which were always admitted in wage negotiations as relevant, though not always as decisive factors. In each district the rate of a given year was taken as a standard, to which were added from time to time varying percentages. Piece rates were then adjusted to the rates thus calculated, and the variations that were necessary from mine to mine and from pit to pit greatly increase the difficulty of translating agreed rates into actual earnings. According to Mr. Rowe, the percentage variations are only a very rough guide to changes in actual earnings; “there is no ground for the assumption that over a long period wages are regulated exclusively by the formal percentage variations; on the contrary, there is often a wide discrepancy.”¹ To meet the claims of men who were compelled to work at “abnormal” places, where the ordinary piece rates failed to provide the standard wage for the shift, the Act of 1912 provided machinery to secure a minimum wage irrespective of piece earnings. This machinery also was organized upon a district basis, so that wide divergences between districts, in both the minimum and the standard rates, were still possible.

¹ J. W. F. Rowe, *Wages in the Coal Industry*, p. 86.

Up to 1917 wage increases continued to be made in the ordinary way, but from February of that year, when the Government took over the coal-mines, wage regulation was put on a national basis, which was maintained so long as Government control lasted. The practice of other industries was, however, followed, and instead of altering the district rates, as in the early years of the War, uniform advances were granted everywhere, based on a ground, the cost of living, which was assumed to operate in the same way throughout the country. As in other industries this had the effect of diminishing the relative differences between higher and lower paid grades, but these distinctions have not in the mining industry attracted so much attention as the differences between the districts. The miners indeed had claimed percentage increases, but in September, 1917, agreed to accept the flat-rate advances which had been applied in other industries; at the time of the Armistice the total war wage was 3s. per day.

The 1918 Annual Conference of the Miners' Federation passed resolutions in favour of a six-hour day, a further advance in wages and inclusion of war advances in the normal wage rates. In discussions of a miner's working day, it is not always clearly realized that an "Eight-hour Day" does not mean eight hours spent in the mine as in other industries it would mean eight hours spent in the factory. When allowance was made for the "winding time," which was not included in the statutory working day, an average of nearly forty minutes had to be added to the nominal eight hours. Demands based on the Conference resolutions were made early in 1919. The increases that had already been granted did not cover the whole of the increase in the cost of living, and a general 30 per cent. advance on earnings (exclusive of war wage) was accordingly claimed. As the Government refused to meet these and other demands of the Federation, a serious industrial crisis was threatened. It was agreed, however, that action should be postponed until the Interim Report of a Royal Commission of Inquiry had been published. The Commission sat under the chairmanship of Mr. Justice Sankey, and its members in-

cluded coalowners, employers' representatives appointed by the Government, representatives of the Miners' Federation, and representatives agreed upon by the Federation and the Government.

The advance of 30 per cent. was claimed partly because of the failure of miners' wages to keep pace with the cost of living, but partly also because a substantial advance in the standard of life that had hitherto been attained was held to be justified, a plea that was supported by reference to the advances granted to workers in other industries. The shorter working day was also supported by references to the concessions that had already been made elsewhere, as well as to the special difficulties and risks of miners' work. The alleged connection between reduced hours and the diminution of unemployment was also present in the minds of some of the miners. There was a conflict of opinion about the size of the increase of wages since 1914, but all estimates agreed that wages had not increased so much as the cost of living. A report signed by the chairman and the three employers' representatives recommended the immediate substitution of seven for eight in the Hours Act of 1908, with a further reduction to six from 13 July, 1921, "subject to the economic position of the industry at the end of 1920,"¹ and an increase of wages of 2s. per shift, or of 1s. to workers under 16. The coalowners' representatives approved of the seven-hour day, but did not favour any further reduction, and recommended an advance of only 1s. 6d.² The miners' representatives recommended the concession of the full claim, and restated in some detail the grounds on which it was based, emphasizing, for example, in the case of hours, the high frequency of accidents.³ The question of hours had been argued chiefly from the standpoint of output, or, in conjunction with wages, from the standpoint of the price of coal. Here of course the question of nationalization at once arose. On the one hand, it was said, "We cannot shorten hours and pay higher wages without raising the price of coal to such a height that industry will be crippled," and the retort

¹ Cmd. 84/1919, p. 3.

² Cmd. 86/1919.

³ Cmd. 85/1919.

to this was, "With efficient management, i.e. under a scheme of nationalization, we can eliminate waste to such an extent that hours can be reduced and wages increased without any effect whatever on prices." In this way the questions constantly overlapped.

The proposals in Mr. Justice Sankey's Interim Report were accepted, the wages of miners were increased by 2s. per shift, and in the Coal Industry Act of 1919 statutory approval was given to the seven-hour day. There has been some debate whether the increase was intended merely to meet the increased cost of living, or also to raise the miners' standard of life. In the latter case, the miners argued that the "Sankey Award" should not be affected by later variations in the cost of living. No authoritative statement on this point seems to have been made at the time of the Report, and an estimate of the actual effect of the increase will depend on the estimate that is accepted of the increases of wages during the War. If the lowest estimate of the miners is accepted, the Sankey award was scarcely sufficient to meet the increase in the cost of living. If a higher figure is correct, the award did, for some classes of workers, provide the means for a slightly higher standard of life. In the Report itself, the "higher standard of living, to which, in our view, [the miners] are entitled, and which many of them do not now enjoy," is mentioned as a "result of the colliery workers having an effective voice in the direction of the mine," but the only "reason" specifically given for the changes recommended immediately is one for preferring a uniform to a percentage increase; "it remunerates the lower paid worker in a fairer degree, and, after all, the necessities of life are no cheaper to him than they are to his more highly paid comrade."¹ Mr. Cole states that the advance was generally regarded as conceding a positive improvement on the pre-war standard of living, because the cost of living had fallen slightly since the beginning of the year, and it was believed that the period of high prices was over.² The Court of

¹ Cmd. 84/1919, pp. 6-7, 10.

² G. D. H. Cole, *Labour in the Coal-Mining Industry*, pp. 122-3.

Inquiry of May, 1924, however, found it impossible to determine the actual purpose of the Sankey increase. No definite sanction was given to the proposal for further reduction of hours, and in fact this was never put into effect.

During the remainder of 1919 and 1920 the question of nationalization overshadowed every other mining problem. The working out of the details of the seven-hour day caused considerable trouble, especially in the adjustment of piece rates to ensure that earnings were not diminished, and the ill-feeling caused by this controversy did not improve the chances of smooth working in the mines, and at the same time, illogically enough, prejudiced the public against the acceptance of the final Sankey Report in favour of nationalization. The whole question of output was for a long time the centre of a hot controversy. It had been alleged on the one hand that the miners were slacking, and on the other that the management was inefficient, and through failure to keep the plant up to date and instal improvements was handicapping the industry. Both the total output and the output per man per shift had undoubtedly diminished, though there was no presumption in favour of the view that, in dealing with a wasting asset like coal, the only, or even the chief, factor in production was the energy of the miner. To draw the conclusion, as seems to be intended, from the statement in the coal-owners' advertisements in the Press, that output per man has diminished so many cwt. since the War, that miners are now not working so hard as they used to do, would logically be on a level with the attribution of the whole of the enormous increase of output from cotton operatives during the last century to the increased energy of the workers, independently of the improvements in machinery. Again we find the implicit assumption that management is practically perfect. In all such cases we have to deal with a composition of causes, to each of which must be given its due weight. For this reason comparisons of output between different countries are almost invariably misleading, and comparisons of output in the same country

at different times can be accepted only with considerable reserve.¹ The increased output which the Sankey Commission anticipated would compensate for the reduction of hours was expected to follow if the miners believed that they were being fairly treated. Though the increase of output per man per shift has been small, it is possible that the members of the Commission still retain their original views on this subject. It is significant that the increase has been greater in the districts with greater natural resources,² from which it is reasonable to conclude that the variations of output are at least partly due to the natural differences between the mines at different times.

With prices rising again, a demand was made in March, 1920, for a further advance in wages of 3s. per shift. After some negotiations it was agreed to accept a 20 per cent. increase on current earnings (exclusive of "war wage" and "Sankey wage"), with a guarantee of a minimum advance of 2s. for workers over 18. This was definitely in advance of the increase in the cost of living, but prices continued to rise sharply, and there was a further demand for 2s. in June. In the negotiations which followed there was a suggestion that wages should in some way be related to output, and though the miners were not much attracted by the idea, proposals based upon it were put forward from both sides. The negotiations however broke down, and a general miners' strike began in October. In the terms of the settlement it was provided that an advance of 2s. should be granted until the end of the year, corresponding to a total output of 246-250 million tons. For every variation in output of 4,000,000 tons there was to

¹ Cf. *International Labour Review*, January, 1921, which gives particulars of output in the chief coal-producing countries, and where the following comment is offered on the figures: "Differences in output are due to the location and thickness of the coal seam, cleanness of the coal itself, working time, and the machinery and methods used in mining. Differences in the producing capacity of the miners account for only a small part of the divergence," p. 83.

² The average output per man per shift for September-October, 1923, varied from 20.37 cwt. in the Eastern area, 18.96 in Scotland, and 18.73 in South Staffordshire and Shropshire, to 13.85 cwt. in North Wales, 13.7 in Somerset, 12.93 in Cumberland, and 12.09 in Bristol. Cf. "Problems of Coal-Getting," *Manchester Guardian Commercial*, 12 July, 1923.

be a variation in wages of 6*d.* per shift, the Government undertaking to guarantee an export price while the agreement was in force. The profits from the export trade were at this time very high. The miners claimed a share in them, but it was feared that if wages were increased without any relation to output, they might be content to work fewer shifts for the same earnings as before. Under this agreement, the 2*s.* advance was increased to 3*s.* 6*d.* in January, 1921, fell to 1*s.* 6*d.* in February, and disappeared altogether in March. It was provided that a permanent scheme was to be negotiated not later than the end of March, 1921, for the output basis was practicable only on the supposition of a permanent boom in the export trade.

A Joint Committee immediately took up this work, the miners' representatives being anxious to regulate wages on a national instead of on the district basis which the owners wished to retain. The miners also, though not unanimously, favoured the establishment of new standards subject to variation by flat-rate advances or deductions, to replace the old methods of percentage variation, which Northumberland and Durham still preferred. Some advance was made in evolving a scheme which would substitute for the old basis of selling prices an arrangement which has popularly been known as profit-sharing. A standard profit was to be paid, expressed as a percentage of the standard wage, however calculated, and any surplus was to be divided in agreed proportions. This idea had been placed before the Sankey Commission by the owners, and might be regarded as an attempt to carry out more thoroughly the intentions lying behind the selling-price sliding scale. The principle was approved by the miners, but only on the condition that profits were to be calculated and wages regulated on a national basis. Agreement about the precise percentages and proportions was of course much more difficult than agreement about the principle of distribution, and presents a problem similar to that of deciding the exact variations to be adopted in a cost-of-living sliding scale.

The negotiations were brought sharply to a conclusion

by the announcement of the Government's intention to decontrol the industry at the end of March, instead of at the end of August. Prices had begun to fall, the export market for coal had collapsed, and the Government was threatened with heavy losses. Their abrupt and unexpected decision had disastrous results on the negotiations which were still in progress. The system by which wages were at this time regulated was dependent on the continuance of control, and the mineowners gave notice of their intention to revert at once to wages settled on a district basis, thus abandoning the partial pooling funds which the payment of flat-rate advances by the Government had in effect involved. This would under any circumstances have meant reductions in some districts; with the catastrophic fall in prices, there was scarcely a district in which drastic reductions were not proposed. The miners still insisted on a national basis; this did not necessarily mean the same basic rate in every district, though Mr. Hodges declared that "for uniform expenditure of energy there should be uniform reward," but it did mean that the advances and reductions should continue to be uniform as they had been since 1917. This could be secured only by a National Wages Pool. It was argued that the differences in the financial capacity of the mines was due to differences in natural resources, or in managerial ability, over which the miners themselves had no control. The Minimum Wage Act protected them against loss through having to work in "abnormal" places, and the same principle should be adopted to protect them against "abnormal" management, or in cases where the whole of a mine might be regarded as abnormal.

Though the proposed reductions were in many cases large, the central point at issue in the miners' strike of April-July, 1921, was this question of uniform national advances or reductions. On this point the owners were eventually able to establish their position.¹ Concessions

¹ A full account of wage negotiations prior to and during the strike will be found in G. D. H. Cole's *Labour in the Coal-Mining Industry*. A full account of the mechanism of translating basic rates plus percentages into

were gained by the miners on certain points, but the terms they were compelled to accept were substantially those insisted upon by the owners. The mines were divided into thirteen groups, and standard wages in each district were defined as

“the district basis rates existing on the 31st of March, 1921, plus the district percentages payable in July, 1914 (or the equivalents in any district in which there has been a subsequent merging into new standards), plus, in the case of piece-workers, the percentage additions which were made consequent upon the reduction of hours from eight to seven.”¹

The number of districts was not so great as the owners desired, but it exceeded the number of Conciliation Board areas which regulated wages before the War, though less than the number of districts for which joint District Boards were established under the Act of 1912. A minimum wage, not less than the standard wage, plus 20 per cent., was to be the first charge on the proceeds of the industry. Next came standard profits, which were equivalent to 17 per cent. of the standard wage bill. The surplus, after deducting standard wage, standard profits, and other costs of production, was to be divided between wages and profits in the proportion of 83 to 17. The 83 per cent. for wages included the 20 per cent. of the standard rates, payment of which was guaranteed as a minimum wage. Any additional wage accruing from this surplus was to be paid as a percentage of the standard wage. Any deficiency in standard profits was to be carried forward and met from subsequent surpluses. A subsistence wage was to be guaranteed to low paid day workers, where it was not provided by the minimum wage accepted in the terms of the settlement, but as in the Act of 1912, this was determined, not by reference to the standard of a “living wage,” but to the wages being paid to other workers in the district. The final terms were somewhat hastily drafted, and cer-

piece rates, of the movements of actual earnings, and of the effect of changes in hours, is given in Mr. J. W. F. Rowe's *Wages in the Coal Industry*.

¹ Terms of Settlement, Section 7, cit. Cole, *Labour in the Coal-Mining Industry*, p. 261.

tain ambiguous points had to be cleared up by reference to the independent chairman of the National Board. It was then held that any deficiency in profits resulting from the payment of the 20 per cent. above the standard wage could not be carried forward to be met by a subsequent surplus. The difference in the ratio between wages and profits above and below the standard limit (profits up to the standard being roughly one-sixth of wages, above the standard, one-sixth of the total surplus) was, however, deliberate, such a difference having been contemplated by both sides since the beginning of the negotiations. The March, 1921, base rate was in most cases slightly above the July, 1914, standard, so that the guaranteed minimum was, roughly, 30 to 40 per cent., or on one estimate 43 per cent. above the pre-war money wage. In order to lessen the shock of immediate reductions, a Government subsidy was available for three months, during which wages were not to be reduced more than 2s., 2s. 6d., or 3s. respectively.

The scheme has been acclaimed in some quarters as a great advance in industrial policy, and an indication to other industries of the way in which wages may be satisfactorily regulated. As in other cases, the enthusiasm has sometimes been greater on the part of those not actually engaged in the industry, though Mr. Evan Williams has described the scheme as "the greatest advance yet made in the direction of identifying the worker's interest with that of the employer."¹ Mr. Lloyd George stated when the agreement was signed that he was "very hopeful that it may create new relations between capital and labour, not merely in this industry, but in all industries."² It is perhaps scarcely fair to say, as some of the miners are inclined to do, that the effect of the 1921 agreement, "the adoption for the first time in the world's history of a profit-sharing plan for a complete industry," "the most hopeful and comprehensive experiment in industrial relations that has been made during the present century,"³ has been that for a

¹ *Industrial Year-Book*, 1922, p. 220.

² House of Commons, 28 June, 1921.

³ J. A. Bowis, "Profit-Sharing in the Coal Industry," *Business Organization and Management*, March, 1923, p. 441, April, 1923, p. 50.

large number of miners wages have for many months been at the minimum level and therefore substantially below the value of their pre-war wages. For it is improbable, if we neglect the possibility of economies from nationalization or unification of management, that any other terms would have had very different results; the minimum wage provisions of the agreement probably did a little to check the fall of wages. The length and severity of the depression were not, however, foreseen by either side at the time the agreement was signed. It was certainly expected that the profit-sharing clauses would be generally operative, if only to raise wages to a small extent. Actually in most districts there has been little or no profit-sharing, and the subsistence wage clause for the protection of low paid men has had to come into operation in seven out of the thirteen districts. Even those districts where wages are above the minimum are not necessarily receiving high rates of pay. For the standard varies from district to district. Kent, for example (where the number of workers is small), has a minimum rate of 12s. per shift. In Durham and Northumberland, which have been above the minimum for more than a year, the rates in June, 1923, were only 9s. 8½d. and 9s. 4d. In August, 1922, the wages in every district had dropped to the minimum. Later in that year, Northumberland, Durham and the Eastern area rose above it, and in the first half of 1923 Scotland and Somerset also rose. These five districts included nearly 63 per cent. of the miners, but the eight districts which remained on the minimum included the important fields of South Wales and Lancashire, and covered 396,000 of the workers. South Wales rose above the minimum later in the year, and the number of men still at the minimum level was thereby reduced to about 210,000. At the end of 1923 the small district of the Forest of Dean also rose above the minimum, but wages in South Wales declined until the difference between the rates actually paid and the minimum was extremely minute. In some cases the deficit in standard profits prevented or delayed a rise of wages, and makes it improbable that there will be any change for some time

in most of the districts which are still on the minimum. Under these circumstances the agreement has been subjected to severe criticism. In one respect only, the percentage of unemployment, has the position of the mining industry been better than that of some other industries.

It may be doubted whether the existing scheme is properly to be described, as it usually is, as one of profit-sharing, and if this is so, whether its supporters have, by giving it this name, increased the chances of its wholehearted acceptance. Trade union feeling is strongly against profit-sharing, because it is believed to endanger the standard trade union rate of wages, and to divide the loyalty of the worker between his union and his employer. Whether the latter is the effect of profit-sharing or not, it is certainly often its intention. This being so, it seems doubtful policy, if the coal scheme is a good one, to endanger its success by branding it with a name which at once arouses hostile associations. Profit-sharing in the ordinary sense implies the acceptance by a firm of some standard rate of wages (usually, in order to forestall criticism, the trade union rate) and the attempt to stimulate the employees of the firm to greater activity by promising them a share in any surplus over the standard wage and some agreed rate of profit. In form the coal scheme bears a very close resemblance to this, and the fact that there was no precedent for such a scheme would not be sufficient reason for denying the name of profit-sharing to it. But in fact the differences are very important. Profit, like most other terms in common use in economic discussions, has no generally accepted meaning. Bowie suggests "that surplus which remains over after all working expenses (including wages, salaries, and allowances for depreciation) have been met."¹ According to Mr. Aneurin Williams, one of the most distinguished exponents of co-partnership, profit-sharing "is something in addition to wages, whatever form wages may take."² Whether, in the interests of clear thinking, it is desirable under any circumstances to speak of profits

¹ *Sharing Profits with Employees*, p. 49.

² *Co-partnership and Profit-Sharing*, p. 23.

as part of the reward of labour is in itself doubtful. But without pressing this objection, which would apply to ordinary profit-sharing as well as to the mining scheme, it should be observed that there is in the coal-mines no agreed wage standard that can be accepted as a basis. Arguing against the belief that profit-sharing and co-partnership will damage trade unionism, Mr. Aneurin Williams insists that

“any effective bargaining on the part of labour must, even under a widespread co-partnership system, concern the rate of wages primarily. . . . If there were not a standard district rate, it would be impossible to say whether there was real profit-sharing in any firm, or whether the workmen were simply getting at the end of the year something which ought to have come to them weekly as wages.”¹

But neither the miner nor the coalowner looks on the extra payments made in some districts in excess of the minimum as anything but wages. The principle of the 1921 agreement may be very admirable, but it is essentially a principle for regulating wages, and not for sharing profits. We may say, if we like, that the proportion between profits and wages is fixed by agreement, but there is nothing to be gained by saying that the miner has a share in the profits. The inducement to greater effort, which is the alleged basis of profit-sharing, becomes, in the case of a whole industry, or even in the case of a mining district, so remote as to be practically negligible. Whatever advantages profit-sharing may have for a single firm seem to be dependent indeed on the scheme not being adopted by its rivals. If every firm in an industry has its own profit-sharing scheme, they are all on the same footing, and the advantage which any one of them previously had disappears. It certainly disappears altogether when the scheme applies, not to single firms, but to all the firms in a district taken together. There is perhaps some inducement to exercise economy in the use of stores, etc., as by diminishing “other costs” that would directly increase the amount of surplus to be divided, but the miners are not convinced that they

¹ *Co-partnership and Profit-Sharing*, p. 200.

will reap any direct benefit from an increase of output throughout the industry, which might be neutralized by falling prices.

To criticize the name of the scheme is not, however, the same thing as to condemn it. It is unfortunate that it has so far not had a proper chance to show how it would work in "normal" times. Some of the miners' leaders are anxious that whatever amendments may be introduced, the principle of the agreement should be maintained, and if this were done, it might well be that when business was restored to a normal degree of activity, the mining industry would, as many hoped, be found to have provided a model which other industries could follow. But even if we assume the principle of the agreement to be sound, we have little to guide us as to its quantitative applications. What exactly should determine the standard wage, and what relation should the standard profit bear to the standard wage so determined? In what proportions should the surplus be divided? Should 75 per cent. of the surplus go to wages, as was first suggested by the owners, 90 per cent., as claimed by the men, 83 per cent., as in the agreement of 1921, or 88 per cent., as in the latest revision? The answers to all these quantitative questions, bound up as they are with each other, must, it seems in the present state of our knowledge, be to some extent arbitrary and experimental. It would be agreed that in coal-mining the proportion to go to wages must be higher than in most other industries, where labour costs do not form such a high proportion of the total cost of production, but even when this is agreed the margin left for bargaining is very wide. Economic theorists have usually had little to say on questions like these, but the reaction of the wage-earners to any concrete scheme is obviously largely determined by the answers.

In one respect the agreement undoubtedly marks a definite advance. It has been objected that the relation of wages to the result of the production of an earlier period (a new assessment is now made every two months, the wages for March and April, for example, being paid on the results of the previous November and December) means that they

are never in proper adjustment to the needs of the industry at the moment. This seems to be an inevitable accompaniment of any scheme of collective bargaining, and it will scarcely be argued in Great Britain to-day that it is possible to abandon collective bargaining in any of the great industries where it has now become firmly established. In mining the delay is compensated for, and in part caused by the important advantage that more is known about the financial position of the coal-mining industry than of any other industry in England. It may be argued that still more publicity is desirable, even in mining, and the coal-owners have agreed that more details shall be supplied about other costs of production. But it is quite certain that whatever the ultimate solution of the wage problem, it is likely to be reached much more rapidly by insisting on greater publicity concerning the financial position of each industry than by the present custom of concealment. Though little has been done, this policy has been supported at least since the Minority Report of the Labour representatives on the Labour Commission of 1894. Even the most cautious critics have usually been agreed on its advantages, but employers as a rule have been very shy about letting the public know any more about the details of their business than they are compelled to reveal. Even from their own point of view this is a shortsighted policy, for it naturally encourages the view that things have been concealed because they are discreditable. Whether this is so or not, it is clearly to the public interest that they should be revealed. At times of industrial crisis far too much energy is wasted on futile controversies which altogether lack the necessary basis of knowledge, and the public is only bewildered by the partisan and contradictory statements which are issued by either side. So far the light of publicity which has been directed upon the mining industry is still of rather feeble candle-power, but it has at least shown the best path of progress. The practical application of statistics is an art which is still in its infancy ; on many important problems the information is quite unrecorded, or is unlikely to be useful, except for comparison

in the distant future. In no department of inquiry is it more desirable than in the regulation of wages that all the relevant facts should be collected, and it is high time for this work to be taken in hand, not only for coal-mining, where the 1921 agreement makes it in some degree inevitable, but for every other industry in the country. It will then be possible to study the claims for reductions or advances of wages in their proper relation to the nominal and real capitalization of industry.

CONCLUSION

THE conclusions that have been suggested by a study of wage negotiations since the War are, it must be confessed, negative and disappointingly vague. Even in the comparatively rare cases where the determination of wages has been considered in the light of general principles, there has been little or no agreement about their content. Nor will any new scheme for ensuring industrial peace or for regulating general movements of wages be developed here. Any ambition that may be cherished of such an achievement is likely to be quenched by a perusal of some of the numerous schemes presented to an enthusiastic and credulous world during the latter days of the War and the early days of the peace. That enthusiasm should have diminished no less than credulity is perhaps one of the least pleasing features of the disillusioned world in which we live to-day, but one need not under-estimate the value or the importance of ideals, even in the most prosaic corners of the industrial and commercial world, to doubt whether much is to be gained by the enunciation of large and vague generalizations, which may mean anything or nothing until they come to be applied to particular cases.

For compulsory arbitration there is little to be said, especially in the present condition of public opinion, a condition moreover which is unlikely to change so long as the cry for compulsory arbitration is always postponed until the workers see a reasonable hope of recovering something of what they have lost during a depression. The evolution of a system of principles, applicable not only to wages but to other working conditions, is an important, indeed an urgent, problem. It is the absence of such a system which makes it impossible to set forth a new and thoroughly con-

vincing scheme of wage regulation. But this task cannot properly be assigned to a judicial body. A judicial body requires rules to guide its work, and it is not merely a pedantic insistence on the necessity of keeping judicial and legislative functions distinct that condemns any proposal to set up a Court of Arbitration, which must in effect be a branch of the legislature.

The case for insistence on the payment of a minimum living wage seems now to be well established, both by deductive reasoning, and by observation of the attempts which have been made to apply such a wage. The determination of the minimum requires more extensive study and investigation than has yet been given to it in this country, but it is desirable that we should know what industries, if any, cannot afford to pay their workers sufficient to provide whatever standard may be laid down. When these industries are identified and isolated, we can more easily determine the steps which will be necessary to remedy their deficiencies. But even if Mr. Rowntree's distinction between a "poverty line" wage and a "human needs" wage, to which little attention has been paid, helps to remove the inconsistencies which frequently mar the discussions of a minimum or a living wage, the criticism of Miss Rathbone and others of the same school of the current assumptions of the living-wage theory seems to be unanswerable. We may hesitate to adopt immediately her positive conclusions, but a revision of the ordinary theory of a living wage, based on the needs of a standard family, is imperative.

A cost-of-living sliding scale, or better, a retail-price sliding scale, is a useful adjunct to any system of wage regulation, ensuring that the intention of the agreed terms shall not be varied, except after further consultation between the parties, a condition not inconsistent with more rapid adjustment of the nominal terms of the agreement, which is regarded in Trade Board industries as the chief advantage of the sliding scale. Its usefulness depends on the assumption that the index number is accurate, and that the scale ensures variations in wages in as exact proportion as possible to variations in prices, though when prices are falling a

reduction of wages less in proportion than the decrease in the index number has the advantage, which Lord Shaw was anxious to maintain, of increasing real wages, and thereby leaving intact the incentive to greater output. The sliding scale must be regarded as additional to, and in no sense a substitute for, wage negotiations which aim at discovering a stable basis in each industry.

For wages above the minimum, it is difficult to suggest anything which in principle differs from the result of the interaction of the forces of supply and demand, the wage level determined by competition. The fancy schemes of payment by results which have attracted many employers are based on a quite misleading simplification of the problem which it is proposed to solve, and trade union opposition, so far from being based on mere prejudice, indicates clearly the psychological weakness of these schemes. It is foolish to go on telling people that they ought to be influenced by certain motives, if they persist in regarding other motives, which on an impartial view cannot be described as any less lofty, as more important. Supporters of universal profit-sharing also simplify the problem unduly and overlook the fact that the alleged advantages of profit-sharing to a single firm are almost certain to disappear if all its rivals adopt a similar policy. To speak merely of supply and demand is not, however, to say very much that is valuable. Supply and demand are simply the outward manifestations of the interaction of a large number of forces which may be varied and controlled in numberless ways. There is nothing sacred about supply and demand, and the use of the terms is as often as not a mere cloak for ignorance of the effective forces lying beneath. Extra payments based on special needs are sometimes claimed as justification for wages above the minimum, on the analogy of the living wage, and there is something in this which appeals to the general sense of justice, which however confused and illogical cannot be ignored in the determination of wages. But this is even more vague than the calculation of a minimum wage, and will not carry us very far in determining the money rates to be paid for each class of work. It may be observed that

where attempts have been made to determine wages in this way, as in the Australian Arbitration Courts, it has been found necessary to fall back on the customary differentials, which have themselves in the first place been determined by competition.¹ To say that those wages must be paid which suffice to attract a sufficient supply of labour into any class of work is simply to restate the claim of competition from another angle, and we have seen good reasons to doubt whether wage changes are always effective in regulating the supply of labour in the most desirable way. Moreover, it would be necessary to take other steps to ensure the absorption of any functionless wealth before this theory could be cleared of the accusation that it meant nothing more than paying a man as little as he could be persuaded to take.

The amount of energy expended in wage negotiations, so much out of proportion to the return in human welfare, suggests the conclusion that from the point of view of general social reform, or even of industrial peace, the details of wage regulation are not fundamentally of great importance. A wage problem is never merely a wage problem and nothing more. Wages in agriculture are perhaps the most obvious illustration of this, and the Dockers' Inquiry of 1920 also showed how insufficient the solution of wage problems in the narrow sense was to secure the smooth working of industry. Most of the recent Courts of Inquiry have equally shown that some other problem must be settled before the wage question can be satisfactorily tackled. From the point of view of the individual wage-earner, the details of wage regulation are, of course, of the greatest importance. To a man earning a small wage, an addition

¹ Cf. Jethro Brown, Australia, *Economic and Political Studies*, ed. Meredith Atkinson, p. 204. Mr. Feis' discussion of this point in *The Settlement of Wage Disputes*, Chap. X, is interesting, but suggests nothing which would modify the views expressed above about the difficulties of comparison between different industries and different grades within an industry. Mrs. Webb recommends "the adoption of a new principle, namely, that of a Closer Correspondence of Occupational Rates to Relative Efforts and Needs." Cmd. 135/1919, p. 229. But as applied to wages in general this suggestion is not very illuminating. We are still left with the insuperable difficulties of a quantitative estimate of relative efforts.

of 5s. a week may make a difference quite out of proportion to the size of the increase. And for this reason, if for no other, questions of wage regulation deserve careful attention. But the scope of wage regulation as a factor in raising the general standard of life is strictly limited. Problems of distribution deserve attention, but problems of production are much more vital. This is, of course, one of those conveniently general statements that are capable of very divergent interpretations. The man who thinks it sufficient to urge the worker to produce more, in order to put society on a sound basis, will here find himself in at least verbal agreement with the Communist, who sees no hope except in the entire destruction of the existing order of society and industry. It is not necessary to discuss problems of production here; it will perhaps be sufficient to suggest that the ill-success, which the prophets of intenser production are always deploring, may perhaps be due in part to their neglect of human motives, which if properly stimulated might lead to the increased production which the appeal to strictly monetary considerations has hitherto failed to evoke. Men, it is said, will not work hard unless they can see a sufficient profit for their labours. But, it may be asked, in what proportion of the community does this motive have any chance of effective operation? And where it does operate, does it in fact have the desired results? If not, it is reasonable to inquire whether more deliberate action should not be taken to stimulate other motives as well. The problem of preventing or minimizing the risks of unemployment is the most pressing industrial problem of to-day; the whole question of production is intimately connected with its solution, and wage regulation by itself can do little to touch it.

Those who accept Mr. J. A. Hobson's theory of the trade cycle may be inclined to attach more importance to wage regulation as a means of preventing unemployment. For if trade depression is the result of the maintenance of a wrong ratio between saving and spending, the ratio will be adjusted by higher wage payments. Mr. Hobson's theory has not had any perceptible influence on wage negotiations;

occasionally we find references which seem to suggest it,¹ but these are usually to be explained as expressions of the common crude views of the advantages of "putting money into circulation." Even if the theory is correct, the time to apply it is when trade is beginning to be brisk, and not when it is depressed. For by the time the depression begins, the damage has been done. And we then have to devise means for convincing employers that it will ultimately be to their own advantage to pay higher wages than are usual during a time of prosperity.

The arguments used by opposing wage negotiators seldom come to grips with each other, and there is much fruitless beating of the air. How are we to explain this unfortunate conclusion to so much earnest endeavour? One is naturally disposed to look for somebody to blame, but in this instance it is not very helpful to seek the cause of the maladjustment in either the malice of the employers or the stupidity of the employed. Some people still cherish the simple faith that all would be well if only trade unionists could be taught some of the more elementary but profound truths of political economy, but though the workers' claims are sometimes supported, either popularly or officially, on grounds which the economist cannot accept, trade unionists have no monopoly of economic heresy, and a training in orthodox economics seldom makes them any more willing to accept the *status quo*. The principles, such as they are, relied on by employers are often those of an earlier age, and not the principles now accepted by economists. But it is not fair to condemn the employers for failing to resolve a contradiction which the economists themselves have neglected. The root of the difficulty no doubt goes very far into the foundations of human society; it may, however, be conveniently restated, or perhaps rationalized, in terms of a conflict between the social sciences. The attitude of the economists has changed—or, as some might prefer to put it, weakened—a good deal during the last century.

¹ Cf. the remark of a clothing manufacturer, "I believe in high wages. If wages aren't high, I can't sell the garments that we make." Cit. D. Sells, *British Trade Board System*, p. 204.

One of them, Mr. G. F. Shove, claims indeed that many other professional economists besides himself consider the provisions of the Trade Boards Act to be reactionary¹; economic orthodoxy is not to be decided by counting heads, but even those economists who are sympathetic with Mr. Shove would probably incline rather to regard the Trade Boards as harmless and ineffective than as positively dangerous, and many would certainly give them strong support. But though economics has advanced, there remains a sharp conflict between the presuppositions of the opposing parties in wage disputes, which one is unwilling to regard as ultimate. Wage regulation of some sort there must be; the organization of modern industry makes this quite inevitable.² Whatever the regulating authority may be, the problem remains of discovering the principles of regulation. Perhaps a hopeful method of reconciliation is to be found in an attempt to relate the science of economics more closely to the other social sciences. The elaborate schemes whereby the sciences were built up in an orderly hierarchy are not so popular now as once they were, but it seems clear that both economics and sociology—if the two are to be regarded as distinct sciences—have suffered through the fact that insufficient attention has been paid to their interrelations. The economist may receive this suggestion with suspicion, scenting the introduction of sentimentality into the cold light of a purely scientific inquiry, and rightly resisting any attempted short cuts through economic analysis by reference to ill-digested notions of justice. But it is impossible to exclude from our consideration, even if it were desirable, notions of the type suggested by justice. It is useless to reject them as irrelevant, if people's thoughts on these subjects continue to be coloured by them. Often what is at fault is not the introduction of the notions of justice, but the introduction of

¹ *New Statesman*, 23 June, 1923, p. 325.

² Cf. Ashley, *Adjustment of Wages*, pp. 14-15, "Manufacturing on a large scale necessarily involves common rules. . . . A separate bargain with every man and a separate scale of reckoning for each are administratively impossible. . . . From the employers' point of view, a common rate of wages is mainly a labour-saving device."

erroneous notions of justice. Economics, moreover, is a science of a peculiar type. It may be, as Professor Pigou declares, "a positive science of what is and tends to be, not a normative science of what ought to be,"¹ but abstraction from the ends for which the results of a positive science are regarded as valuable is so much more difficult in the case of economics than in the case of a science like physiology, which is also valued mainly for its practical conclusions, that economics seems to occupy a unique position. The very unsatisfactory use of the term "law" in economics is largely due to this fact. A science of "pure" economics is compelled to neglect some of the most important factors which actually move human action in economic relations. Being thus so closely related to the ends for the realization of which we wish to apply the findings of economic science, economics should be correlated with other sciences which presuppose the existence of values or ends. It has too often been studied as if man entered into no other social relations beside the economic. The study of the other social sciences has no doubt also suffered from the absence of any correlation with economics. Whatever protestations it may make of disinterestedness, economics has always developed historically in close relation to the practical problems and conditions of the day. The form of the science was given to it by men whose minds were naturally influenced by the social and political problems of their own time. Our social and political problems have changed, but though we criticize many of the older economists' conclusions, the form of our economics is still much the same as theirs. It is also affected by their psychological and other presuppositions, which have elsewhere been long since abandoned. A revision of their presuppositions will not necessarily revolutionize the conclusions of economics, but if we are looking for theories which will guide us in settling the wage disputes of to-day, we must develop a science which will be adequately related to other social sciences, which will take as its background the facts of the social structure

¹ *Economics of Welfare*, p. 5.

of to-day and not of a past age, and which will take account of the broader science of psychology, which, however chaotic its present condition may be, cannot safely be ignored in any study which sets out to deal with the activities of men.

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